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Manual of Laws Affecting Federal Credit Unions

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MANUAL OF LAWS
AFFECTING
FEDERAL CREDIT UNIONS

JUNE 1978

NATIONAL CREDIT UNION ADMINISTRATION
WASHINGTON, D.C. 20456

NCUA 8017

M 4031

FOREWORD

This Manual has been compiled by the National Credit Union Administration for the purpose of assisting the officials and staff of Federal credit unions in understanding and complying with various Federal statutes and regulations. The laws covered in this manual are primarily consumer-oriented. They contain requirements that may have an impact on the day-to-day operation of your credit union.

This manual replaces the Manual of Statutes Affecting Credit Unions. The format has been changed, and the number of laws covered has been increased. As well, content has been up-dated and modified and appendices have been added to provide an all-in-one reference source. These analyses are intended to serve as supplemental guidance. In no way are they intended to alter, amend or take the place of the laws themselves.

This manual will be kept current by means of numbered changes which will be issued in place of uncatalogued letters whenever requirements are revised. If you use this manual regularly and keep it current, you will find that your compliance responsibilities are more understandable and more easily met.

Lawrence Connell

LAWRENCE CONNELL
Administrator

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National Credit Union Administration Manual of Laws Affecting Federal Credit Unions

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PART 1

TRUTH IN LENDING ACT—REGULATION Z

A. WHY WAS IT ENACTED?

Prior to the Truth in Lending Act, it was very difficult to make realistic comparisons of costs between competing creditors. Most consumers could not understand the variety of credit-related terms and the many ways used to compute the cost of loans.

As a result, the Truth in Lending Act was enacted in an effort to end the confusion regarding the cost to borrow money. Regulation Z, which implements the provisions of the Act, is designed to ensure that consumers are aware of the cost of credit and to permit them to compare the terms available from a variety of credit sources.

B. WHAT IS REGULATION Z?

Regulation Z spells out not only the disclosures which must be made by creditors but also the manner in which they must be made. It covers the right of a borrower to cancel some types of consumer credit arrangements within 3 business days if his/her principal residence is used as collateral. The Regulation places restrictions on credit advertising, as well as the issuance of credit cards. It also specifies a cardholder's maximum liability for the unauthorized use of a credit card. In addition, the Regulation provides certain rights to borrowers regarding resolution of questions concerning billing disputes and imposes certain billing disclosure requirements on creditors. Finally, its requirements provide assurance that lessees of personal property are given meaningful and accurate disclosures of lease terms and are protected from unreasonable liabilities in connection with such leases.

The Truth in Lending Act fixes no maximum or minimum charges for credit. Neither the Act nor Regulation Z is intended to control charges for consumer loans or interfere with trade practices except to the extent that such practices may be inconsistent with the purpose of the Act.

C. HOW DOES REGULATION Z AFFECT CREDIT UNIONS?

The Regulation governs the manner in which you advertise and disclose the cost and terms for loans granted to your members. If your credit union offers a loan plan which utilizes open-end disclosures, Regulation Z also imposes certain additional requirements relating to billing errors.

The following discussion is intended to acquaint you with the general requirements of Regulation Z as they pertain to Federal credit unions.

D. WHAT LOANS DOES REGULATION Z ENCOMPASS?

Regulation Z applies only to consumer credit. For the purposes of Regulation Z, "consumer credit" is a loan to a member which will be used primarily for personal, family, household or agricultural use. A loan which meets the following tests is subject to Regulation Z.

- The loan must be to a natural person. Loans granted to corporations, trusts, joint ventures or organizations, etc. are exempt.
- The loan must be primarily for personal, family, household, or agricultural purposes. Loans for business purposes *are* exempt.
- The loan must be one which is payable in more than four installments *or* one for which a finance charge is or may be required *or* one made pursuant to the use of a credit card.
- The loan must be for $25,000 or less, *unless* it is secured by real property, in which case no limit applies.
- The amount financed must be $25,000 or less if the loan is primarily for agricultural purposes, whether or not the loan is secured by real property.

Mixed-purpose loans, such as a loan for an automobile that will be used for both business and personal purposes, create a special problem, as it may be difficult to determine the primary purpose for

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the loan. In such cases, it is recommended that the required disclosures be provided to the borrower.

E. GENERAL DISCLOSURE REQUIREMENTS (SECTION 226.6)

Section 226.6 addresses the general disclosure requirements of Regulation Z. The following discussion outlines each requirement which pertains to credit unions. The general disclosure requirements relate to *both* open-end and closed-end loan programs.

1. CONSPICUOUSNESS IS NECESSARY (SECTION 226.6(a))

The disclosures required by Regulation Z must be made clearly, conspicuously and in meaningful sequence. Except in advertising, whenever the terms "annual percentage rate" and "finance charge" are required to be used they must be disclosed more conspicuously than the other required terminology. Disclosures should not be buried in fine print; they should be visible without requiring undue searching on the part of the borrower. They must be written so as to communicate the information clearly and effectively.

All number amounts and percentage rates must be stated in figures and must be printed in not less than the equivalent of 10 point type, .075 inch computer type, elite size typewritten numerals, or legibly handwritten.

2. ADDITIONAL INFORMATION MAY BE DISCLOSED (SECTION 226.6(c))

Lenders (credit unions) have the option of providing additional information along with the required Truth in Lending disclosures. However, no additional information may be provided in a manner which would confuse or mislead a borrower or contradict or detract from the required disclosures. (For example, a creditor could print on the disclosure statement a message such as "read your contract before you sign", but including the add-on rate would not be permissible.) Similarly, disclosure required by provisions of State law which are inconsistent with the Federal Truth in Lending Act and Regulation Z may be made in the manner specified in Section 226.6(c).

3. ONLY APPLICABLE DISCLOSURES SHOULD BE MADE

Only those disclosures which pertain to the loan in question should be made. If certain disclosures do not apply, they need not be made. For example, although the Regulation requires disclosure of late payment charges, credit unions which do not assess them are not required to disclose that fact.

4. WHAT IF MORE THAN ONE LENDER IS INVOLVED?

The responsibility for making the disclosures required by Regulation Z rests with the *creditors*, regardless of whether there is just one or several. In cases where there is more than one creditor, separate disclosures can be made by each or they can join together in making a single disclosure. All creditors must be clearly identified on the disclosure statement.

5. WHAT IF MORE THAN ONE PERSON IS INVOLVED? (SECTION 226.6(e))?

If a loan involves more than one person (for example, husband and wife, borrower and comaker), disclosures need to be made only to one of them. (However, the person to whom the disclosure is made must be one who is primarily liable.) In addition, disclosure has to be made to a comaker if a secured interest would be taken on any tangible collateral or shares of the comaker.

If the transaction involved is subject to rescission, a copy of the disclosure statement as well as two copies of the Notice of Opportunity to Rescind, must be given to each person who can rescind the transaction. This action is required by Section 226.9(b) of Regulation Z.

6. ESTIMATING UNKNOWN INFORMATION (SECTION 226.6(f))

When information required to be disclosed is not known or available when the disclosures are made, credit unions may estimate such information. Any estimate must be identified as such and must be reasonable and based on the best information available. Estimates cannot be used when actual figures are known.

When information has been estimated, there is no requirement that a corrected disclosure statement containing the actual information be given to the borrower if the estimate turns out to be inaccurate, as long as the original estimate was based on the best information available.

7. SUBSEQUENT OCCURRENCES (SECTION 226.6(g))

All disclosures required under Truth in Lending should be made on the assumption that the terms and conditions of the contract will be carried out as agreed. For instance when a loan becomes delinquent, the original disclosures can become inaccurate. Another example would be where the borrower fails to keep the property securing the loan insured against physical damage, and the credit union, in accordance with the loan agreement, purchases the insurance and adds the premium to the loan. These occurrences *do not* require additional disclosures.

8. DISCLOSURE STATEMENTS MUST BE RETAINED TWO YEARS (SECTION 226.6(i))

Credit unions must maintain evidence that they have complied with Regulation Z's disclosure requirements for at least two years after the date the disclosures should have been made, which in most cases is the date of the loan. For example, disclosure statements for loans with maturities of less than two years must be retained for the full two years even though the loan may have been paid off. Accordingly, disclosure statements for loans with maturities in excess of two years need not (for purposes of compliance with Regulation Z) be retained for the duration of the loan, but only for the required two year period.

9. EFFECT OF LEAP YEAR (SECTION 226.7(j))

A Federal credit union may disregard the effect the extra day in leap year may have on the terms of any loan.

10. INCONSISTENT STATE LAW REQUIREMENTS (SECTION 226.6(b))

In addition to complying with the requirements of the Federal Truth in Lending Act, FCUs *must also* comply with requirements of State Truth in Lending Laws *unless* the State requirements are inconsistent with the requirements of the Federal Truth in Lending Act, Regulation Z or other applicable Federal laws and regulations. State requirements are preempted by the Federal Act and Regulation Z, however, only to the extent they are "inconsistent". The following is a summary of the rules for determining inconsistency:

In general, State law is inconsistent to the extent that it requires disclosure or actions which *differ* with respect to "form, content, terminology or time of delivery". Thus, State requirements which are of the same kind as (but not identical to) Federal requirements will generally be inconsistent and thus preempted. In contrast, State requirements which are supplementary of (i.e., in addition to) Federal requirements may not be preempted. (See Official Federal Reserve Board Regulation Z Interpretation Section 226.604 for examples of supplementary State requirements.)

The rule is slightly different for State laws similar to Chapters 4 (Credit Billing) and 5 (Consumer Leases) of the Federal Act and the corresponding provisions of Regulation Z. With respect to the credit billing practices provisions of Chapter 4 (Sections 161 and 162), State law is preempted if it provides procedures or requirements which are different from the Federal requirements, except that if any State law provides a longer period of time within which a consumer may inquire about an open end account (e.g., question an item on a billing statement) and thereby trigger a creditor duty to respond that State law is not preempted for the period after the time allowed under the Federal Act (60 days) has expired. With respect to the remaining requirements of Chapter 4 (other than Sections 161 and 162) and the requirements of Chapter 5, State law is preempted unless the creditor can comply with it without violating the Federal Act or Regulation Z.

In summary, provisions of State law are preempted by the Federal Act and Regulation Z to the extent that the state laws are "inconsistent." The rules for determining inconsistency vary depending on which chapter of the Federal Act the State laws bear a similarity to. Preempted requirements of State law do not have to be complied with, but preempted disclosures may, at the creditor's option, be made in accordance with Section 226.6(c) of Regulation Z. The safest course, when the credit union is uncertain whether a particular disclosure requirement of state law is preempted, is to make the disclosure in the manner prescribed in Section 226.6(c).

Lastly, the concept of preemption, discussed above, is not to be confused with the process of exemption. The Federal Reserve Board is authorized, under the Federal Act, to *exempt* transactions in a particular state from the requirements of the Act if similar state laws exist and other conditions are met. To date no exemptions have been granted which apply to Federal credit unions or other federally chartered financial institutions.

F. IMPORTANT TERMS DEFINED AND DISCUSSED

The following terms must be used when making disclosures. These are not the only terms which must be used, but they are being discussed specifically because of their complexity and importance.

1. AMOUNT FINANCED (SECTIONS 226.2(f) and 226.8(d)(1))

The *Amount Financed* is the amount of credit actually made available to the borrower.

The Amount Financed = Proceeds + Other Charges − Excluded Items

i. **Proceeds** means the total amount of the loan made by the credit union except for "other charges". Frequently, proceeds include both a new loan and an old loan balance to be refinanced. The proceeds may include:

- New loan received by the borrower
- Old loan balance
- Taxes
- Insurance charges, if exempted from Finance Charge under Section 226.4(a)(5) or (6) of Regulation Z

ii. **Other charges** are costs that may be excluded from the Finance Charge if they are itemized and disclosed. Generally, these are costs imposed by law, not by the credit union as a condition of the loan. They would be paid even if there were no credit extended. They include:

- Filing fees
- Chattel lien non-filing insurance, if it is not greater than a fee paid to public officials for determining the existence of or for perfecting or releasing or satisfying any security related to the transaction if included in the loan.
- Taxes
- License
- Certificate of title fee
- Registration fee

Charges within this category which are paid in cash by the member to the credit union at the time the loan is granted must also be itemized and disclosed but are not part of the amount financed.

iii. **Excluded Items:** In determining the amount financed, any "prepaid finance charges" or "required deposit balances" must be excluded from the amount of the loan proceeds. This has the effect of increasing the Annual Percentage Rate.

Generally, charges are any costs paid separately by the member or withheld from the proceeds. Required deposit balances, on the other hand, are any "deposits" (to shares) which the member is required to make as a condition of the loan. A more detailed discussion concerning these terms is contained in Section G(4) which follows.

Many credit union loans do not involve any itemized Other Charges, Prepaid Finance Charges, or Required Deposit Balances. When this is the case, the amount Financed and Proceeds are identical amounts.

2. FINANCE CHARGE (SECTION 226.4)

The finance charge represents the cost of borrowing in dollars and cents. The general rule is that it is the sum of all charges payable directly or indirectly by the borrower as a condition for the loan, except those items which may be specifically excluded if itemized. Any charges absorbed by the lender and not passed on to the borrower would not be included in the finance charge. All charges which make up the finance charge must be individually itemized and disclosed, unless specifically excluded. If the finance charge is made up of only one element, such as interest, that amount may simply be disclosed as the finance charge, without need for further identification.

i. Charges Included in the Finance Charge (Section 226.4(a))

(a) *Interest*—The Finance Charge includes *Interest*. For most credit union loans, interest is the only finance charge. The interest for a given loan may be determined readily from charts or tables. For level equal payment schedules, the Annual Percentage Rate Tables for Regulation Z, Volume I, published by the Federal Reserve Board may be used. Pages 6-10 and 6-11 of the Accounting Manual for Federal Credit Unions also contain level payment loan factor charts. For irregular payments, or irregular periods of time between payments, or uneven payments, the Federal Reserve System's Volume II of the Annual Percentage Rate Tables, which contains factor tables for all types of irregular transactions, may be used.

(b) *Other Charges*—See Section 226.4(a) for the types of charges, in addition to interest, which may be considered part of the finance charge. The finance charge may include such charges as loan fees or points, credit report and/or appraisal fees (except for real estate loans), and certain insurance premiums. These are merely examples of the types of fees and charges that are included in the finance charge; to determine whether or not an amount should be included in the finance charge, consult Section 226.4 of the Regulation.

(c) *Insurance Premiums* (Section 226.4-(a)(5) & (6)).—Premiums charged to the borrower for *credit life, accident, health* or *loss of income insurance* written in connection with a loan must be included in the finance charge *unless* the Federal credit union clearly discloses in writing to the borrower the fact that such insurance is not required. Then, if the borrower *desires* the insurance coverage, the borrower must provide a separately signed and dated statement reflecting his desire to purchase the insurance after having received a written disclosure of its costs. These disclosures are usually included on the same form as the other disclosures required by Regulation Z. However, they can be made on a separate document.

Premiums charged for *property* or *liability insurance* written in connection with any loan must be included in the finance charge unless the credit union furnishes a written statement to the borrower stating that the borrower may select an insurer of his own choice. A statement on the disclosure form such as, "Property Insurance, if written in connection with this loan, may be obtained by the borrower through any person of his/her choice", would meet the disclosure requirement. Also, if the insurance can be obtained from or through the credit union, a second sentence must be added stating the dollar cost of the insurance which can be obtained from the credit union. If the insurance premium must be included in the finance charge, the amount to be included must be the premium for the entire period the member is required to carry the insurance.

Credit unions which provide borrower's protection insurance to members without any direct charge to the members, need not disclose that fact.

ii. Charges Which are Excluded From the Finance Charge (Section 226.4(b))

Certain charges are specifically excluded from the finance charge. These are:

- Fees set by law payable to public officials in determining the existence of security interests. This also includes official fees for perfecting, releasing or satisfying any security interest related to the credit transaction.
- The premium payable for chattel lien nonfiling insurance or similar insurance, if the premium does not exceed the official fees for perfecting liens.
- Taxes not included in the cash price.
- License, certificate of title, and registration fees imposed by law, for example, in connection with an automobile loan.

In order to be excluded from the finance charge, the fees listed *above must be itemized and disclosed* to the consumer.

In transactions secured by real estate, certain closing costs may be excluded from the finance charge provided that they are necessary, reasonable in amount and not for the purpose of evading the Regulation (Section 226.4(e)). These charges do not have to be itemized and disclosed to qualify for exemption, as is the case with the charges discussed in the preceding paragraph. The following items are excludable:

- Fees for premiums for title examination, abstract of title, title insurance, required property surveys, or similar purposes.
- Fees for preparation of deeds, statements or other documents
- Amounts required to be paid into an escrow or trustee account for future payments of taxes, insurance, and water, sewer and land rents
- Notary fees
- Fees for appraisal (including photographs and termite inspections), and credit reports.

iii. Late Charges are Not Finance Charges (Section 226.4(c))

Any late payment, delinquency, default or other charge is *not* a finance charge if it is only charged when one of those conditions occurs.

iv. Offsets from the Finance Charge are Prohibited (Section 226.4(f))

In some cases credit unions may require a borrower to maintain a share account at a certain level as a condition for the loan. Any dividends received on the required share balance cannot be deducted from the finance charge.

3. ANNUAL PERCENTAGE RATE (SECTION 226.5)

i. General Rules

The Annual Percentage Rate (APR) is designed to take into account all variable factors and provide a uniform measure for comparing the cost of various credit plans.

Before discussing how to compute the APR, several general rules should be understood.

(a) *Rounding to the Nearest Quarter*—Regulation Z allows a creditor to round the APR to the nearest one quarter of one percent. This means that the APR may be stated as the actual rate or as a rate rounded to the nearest quarter of one percent. For example, an APR which falls precisely between two quarters such as 9.125 percent can be stated as 9.125 percent, or it can be rounded to, and stated as, 9 percent or 9.25 percent. However, a rate of 9.2 percent could be stated only as 9.2 percent or 9.25 percent, the nearest quarter of one percent.

(b) *Overstatement*—an unintentional overstatement of the APR is not considered a violation of Regulation Z.

(c) *360- and 365-Day Year*—Considerable confusion has arisen regarding the 360- 365-day year in computing interest. Either method is permissible under Regulation Z. However, whichever method is used, it should be used exclusively. They *cannot* be combined. For example, a disclosure violation may occur when a credit union applies the 360-day daily interest factor to a 365-day year. In this situation, a 12 percent APR divided by 360 days results in a daily rate factor of .00033333. Applying this factor on a daily basis for a 365-day year results in an APR of 12.17 percent (.033333 × 365 = 12.17) or 12.25 percent if rounded. If loan disclosures are made and payments taken on the basis of a 360-day year the factor to be used is .033333, for a 365-day year a factor of .032877 should be used.

ii. Computing the APR for Closed-End Loans

(a) *Computation (Section 226.5(b))*—The APR for closed-end loans can be determined by use of an actuarial formula or APR tables.

The actuarial method for computing the APR for a closed end loan is discussed in Supplement I to Regulation Z. The formulas are complex and should only be used by credit unions having computer facilities which can program them to provide annual percentage rates. Mini calculators are also available which are programmed to compute APRs.

Most credit unions find it simpler to use commercially prepared charts or tables or the official annual percentage rate tables. The Federal Reserve Board has issued two volumes of such tables. Volume I contains level payment tables for various types of regular periodic payment schedules. Volume II contains factors and instructions for irregular payment schedules. Other tables and/or charts may be used if prepared in accordance with the instructions contained in Section 226.5(c)(2) of Regulation Z.

(b) *Small Transactions—Computation of APR not Necessary (Section 226.8(b))*—The APR need not be computed or disclosed for any closed end loans where the amount financed is $75 or less *and* the finance charge does not exceed $5, *or* where the amount financed is more than $75 *but* the finance charge is $7.50 or less. However, a loan cannot be divided into two or more transactions to avoid disclosing the APR.

(c) *Minor Irregularities (Section 226.5(d))*—In some cases a closed end loan, which is payable in equal installments and at equal intervals, will have one payment period which is longer or shorter than the normal payment period. Section 226.5(d) of Regulation Z allows credit unions to ignore certain irregular periods in determining the APR or finance charge. These allowable minimum periods are further explained in Interpretations 226.503 and 226.505 on pages 67 and 68 of the Appendix. The following tables illustrate when an irregular payment period need not be considered when computing the APR and finance charge.

The irregular payment need not be disclosed and considered when computing the APR and finance charge when the following conditions apply:

Frequency of Payment	*Number of Payments 12 Payments or More*		
	The Number of Days From the Date of Loan to the Date of the First Payment is From		
WEEKLY	5	TO	12
BI-WEEKLY or SEMI-MONTHLY	10	TO	25
MONTHLY	20	TO	50

AND

The loan is payable in equal installments at regular (equal) intervals and the amount of any one payment, other than a downpayment, is not more than *50 percent* more or less than the amount of the regular payment.

OR WHEN

Frequency of Payment	*Number of Payments Less Than 12 Payments*		
	The Number of Days From the Date of Loan to the Date of the First Payment is From		
WEEKLY	6	TO	10
BI-WEEKLY or SEMI-MONTHLY	12	TO	21
MONTHLY	24	TO	42

AND

The loan is payable in equal installments at regular (equal) intervals, and the amount of one payment, other than a downpayment, is not more than *25 percent* more or less than the amount of the regular payment.

If the first payment falls within the limits outlined above, no adjustment is necessary to the finance charge disclosure.

For example, assume the following:

Amount Financed	$1000
Date of Loan	6-1-77
Date of first Payment	7-15-77
Interest Rate	1% per month on unpaid balance
Number of Payments	12

The amount of finance charge to be disclosed would be $71.20 (15 days extra). However, since the date of first payment is 45 days from the date of the loan, this example would fall within the provisions of 226.5(d), and the finance charge of $66.20 (based on 12 regular monthly payment periods) could legally have been disclosed instead of the actual amount of $71.20.

However, if the first payment does not fall within the limits outlined above, the actual finance charge must be computed and disclosed. For example, if the date of first payment in the above example was 8/15/77, the finance charge would be $91.20 (46 days extra).

You should keep in mind, however, that while Regulation Z may not require your credit union to disclose certain minor irregularities, local contract law may require you to do so in order to collect the additional interest earned during a longer than usual first payment period. For example, assume that the first payment is not due until 45 days after the loan is granted and that a payment is due each month. If you want to be certain that you are able to collect the additional 15 days interest under state contract law, it is recommended that you include the additional 15 day period in your computations and disclosure unless the State and/or local contract law does not require such disclosure.

iii. Computing the APR for Open End Loans (Section 226.5(a))

Federal credit unions offering open end loan programs to their members must disclose the APRs for such programs. This disclosure must be made before the first transaction takes place on each such account and on the periodic statements provided with each account.

Where the finance charge or interest assessed on an open end account is exclusively the product of the application of a single periodic rate, the APR is simply the periodic rate times the number of periods per year (e.g. 1% times 12 months = 12% APR).

Should a credit union choose to charge more than one periodic rate (for example 1% per month on balances up to $1,000 and 3/4 of 1% per month on balances over $1,000), it should disclose both the 12% and the 9% APRs. Alternatively, it could use the quotient method when disclosing the APR on periodic statements when the combined APR has changed during the billing cycle. (See Section 226.5(a)(2).)

When the finance charge imposed during any billing cycle includes charges not due to the application of a periodic rate, see Section 226.5(a) for the method of computing the APR.

iv. Loans With Variable Annual Percentage Rates (Section 226.8(b)(8))

If a credit union makes a loan with a variable APR (such as having the APR tied to the prime rate), it must make the required disclosures on the basis of the APR which applies at the time the loan is made. Where the APR is subject to increase, the credit union must *also* clearly and accurately disclose:

- The fact that the APR on the transaction may increase.
- The conditions under which it may do so (including the identification of any index to which the rate is tied and any limitation on the increase).
- The manner in which the increase may be effected (e.g. an increase in payment amounts, a change in the number of scheduled payments or an increase in the amount due at maturity), and
- (In the case of home mortgage transactions *only*) numerical examples based upon a hypothetical increase of 1/4 of 1% in the APR brought about under (iii.) above.

G. CLOSED END CREDIT OR CREDIT OTHER THAN OPEN END

1. WHAT IS IT?

As the name implies closed-end credit or credit-other-than-open-end includes any loan that does not fit the open-end credit definition. The most common example of closed-end credit is a single advance loan transaction between a credit union and its member. Under the closed-end concept, a credit union must give its members a complete disclosure of the costs associated with the loan prior to actually completing the transaction with the member.

2. REQUIRED DISCLOSURES WHEN THE LOAN IS GRANTED

i. What Must be Disclosed? (Sections 226.8(b) and (d))

The following disclosures, if applicable, must be made for all closed-end loans. Where terms appear in quotations, those specific terms, and no other, must be used:

- The identity of the lender. If there is more than one lender, they all must be identified.
- The "Amount Financed".
- The "Finance Charge" (except in case of a loan secured by a first lien or its equivalent made to finance the purchase of a dwelling).
- The date on which the finance charge begins to accrue. Where a credit union collects interest only from the date the funds are given to the member, no disclosure is necessary.
- The "Annual Percentage Rate".
- The number, amount, and due dates or periods of payments (for example, monthly) scheduled to repay the loan.
- Any payment which is a payment more than double the size of a regular payment (i.e. a ballon payment).
- The "total of payments" (except on a loan to purchase a residence or an interim student loan).
- Any security interest. The disclosures must identify the type of security interest and provide a clear identification of the security. If the security cannot be identified, then the manner in which the credit union could obtain a security interest and the type of security interest must be disclosed. (Section I which follows discusses the security disclosure requirements in more detail.)
- The amount, or method of computing the amount, of any charge payable in the event of late payments.
- Prepaid finance charges and required deposit balances (please refer to the detailed discussion concerning these items in Section 3 of this part).
- The name of the credit union.

In addition, it is strongly recommended that any policies the credit union may have which call for acceleration of repayment (in the event of default or other circumstances) be appropriately disclosed so that the member is given a clear understanding of the consequences of not making payments on time, etc.

ii. Where Must the Disclosures be Made? (Section 226.8(a))

The disclosures can be made either on the note or other document which evidences the loan, or they can be made on a separate disclosure statement. (When the disclosures appear on the note or other loan document, they must appear on the same side of the page and above or adjacent to the place where the borrower signs. If the loan requires more than one form, *all* of the disclosures must be made on the form the borrower signs, above or next to the signature space.)

The Z-1 disclosure statement in common usage has the advantage of having been approved by the Federal Reserve staff. Therefore, when properly used this form offers greater assurance of compliance with reporting requirements. The use of forms which combine the note, security agreement and disclosure form, however, is increasingly common. Credit unions using such a form should be certain to have an attorney's opinion reflecting that the form they are using complies with the disclosure requirements of Regulation Z.

It is not necessary for a member to acknowledge receipt of the truth and lending disclosure. However, it is recommended that all disclosures include a statement acknowledging receipt of the disclosures and a place for the borrower's signature.

If your credit union's loan documents are prepared by electrical or mechanical equipment, you may be eligible for the exemption outlined in Interpretation 226.801 which is on Page 73 of the Appendix. That is, if your loan documents are prepared by such equipment, and the note, security agreement, and disclosure statement are combined in one form, the required disclosures may be made on either the front, back or both sides of the document. However, if the back side is used, the finance charge and annual percentage rate *must* appear on the face of the document, the printing on both sides must be identical, and both sides of the form must contain the statement, "NOTICE: See other side for important information". *Also*, the space for the borrower's signature must be after the full content of the document.

iii. When Must the Disclosures be Made? (Section 226.8(a))

The disclosures must be made to the borrower *prior to* completion of the loan. Generally, the disclosures are given to the borrower before he signs the note and receives the proceeds of the loan. This act of disclosure includes providing the borrower with a copy of the signed loan instrument or the separate disclosure statement (depending on the disclosure format used by the credit union) and retaining a copy of same in the credit union's files.

3. REQUIRED DISCLOSURES ON MEMBERS' BILLING STATEMENTS (SECTION 226.8(u))

The Federal Reserve staff has determined that credit union statements which only reflect past payments are not "periodic billing statements" for the purposes of Regulation Z. Credit unions which send billing statements (i.e. reminders of loan payments due), however, must include the following disclosures on those statements:

(a) The annual percentage rate

(b) The date (or period) by which the payment must be made to avoid late payment or delinquency charges.

Delinquency notices, payment coupon books or passbooks are not subject to these disclosure requirements.

4. PREPAID FINANCE CHARGES AND REQUIRED DEPOSIT BALANCES (SECTION 226.8(e))

"Prepaid finance charges" and "required deposit balances" must be deducted from the amount financed. If a loan calls for both a prepaid finance charge and required deposit balance, they must be totaled and disclosed as "total prepaid finance charge and required deposit balance". If only one of the items is required, it must be separately disclosed and identified by the appropriate term.

It is important to remember that:

Prepaid finance charge and required deposit balance disclosure requirements apply *only* to closed end loans.

The existence of a prepaid finance charge or a required deposit balance will result in a higher APR than would exist in an identical fact situation where neither existed. Under such circumstances it is possible for the interest rate to be 1% per month on the unpaid balance and at the same time for the APR to exceed 12% without violating the FCU Act.

i. Prepaid Finance Charges

When a credit union requires a borrower to pay the finance charge or a portion of it at the time the loan is granted, the amount paid must be disclosed as a prepaid finance charge and excluded from the amount financed. Prepaid finance charges are not often required by Federal credit unions. If they are, it is usually in relation to a real estate loan. For example, points paid in cash by the borrower or paid from the loan amount are prepaid finance charges. To illustrate, if a member is granted a $40,000 real estate loan but must pay 1 point ($400), he will only receive $39,600. The amount financed would be $39,600 and the $400 would be included in the finance charge.

Finance charges computed by the add-on or discount methods are not considered prepaid finance charges, but must be excluded from the amount financed and included in the finance charge. (Few Federal credit unions use this method.)

Also, loan guaranty fees which insure all or a portion of a student loan, and mortgage insurance premiums (FHA, MGIC, etc.) are prepaid finance charges *if they are paid from the loan or by the borrower.*

ii. Required Deposit Balance

A required deposit balance is created when a credit union requires a borrower to increase the balance in his/her share account as a condition of receiving a loan. It specifically excludes, however, shares created in conjunction with an estate loan.

The following are examples of required deposit balances:

(a) Assume a borrower is required to place a specific amount into his share account as a condition of obtaining a loan. It would not matter if the amount was deducted from the proceeds or supplied separately by the borrower. In either case, the disclosure and the APR would be similarly affected.

Assume a borrower applies and is approved for a $1,000 loan with interest at 1% per month on the unpaid balance and 12 monthly payments of $88.85. However, he is required to deposit $100 in his share account and cannot withdraw this amount until the loan is repaid.

The following example illustrates the resulting disclosure of the Required Deposit Balance and Amount Financed.

Proceeds	$1,000
Less Required Deposit Balance	100
Amount Financed	900
FINANCE CHARGE	66.20
Total of Payments	$1,066.20
ANNUAL PERCENTAGE RATE	14.59%

The computation of the APR under these conditions is very complex and involves the use of the general equations provided in Supplement 1 to Regulation Z. A specific example is provided on page 11 of that Supplement. In these instances, the linear equation would be:

$$\frac{900}{\ } + \frac{100}{(1+i)^n} = \frac{88.85}{(1+i)^1} + \cdots\cdots + \frac{88.85}{(1+i)^n}$$

Then $i = .012158$ And $12 \times .012158 = .14589$ or

ANNUAL PERCENTAGE RATE of 14.59%

Volume II of the Annual Percentage Rate tables can also be used to determine the APR. Specific instructions are provided, but such APR calculations might take as much as two hours on the average.

(b) Assume a borrower is required to place a specific amount into his share account each month in addition to his monthly loan payment. It would not matter if the amount was deducted via payroll deduction or a separate cash payment was made.

Assume a borrower applies for and is approved for a $1,000 loan with interest at 1% per month on the unpaid balance and 12 monthly payments of $98.85. (Loan payment of 88.85 and a required $10 deposit into shares each month.) He will have access to the total $120 when the loan is repaid.

The following example illustrates the resulting disclosure of the Required Deposit Balance and Amount Financed.

Proceeds	$1,120
Less Required Deposit Balance	120
Amount Financed	1,000
FINANCE CHARGE	66.20
Total of Payments	$1,186.20
ANNUAL PERCENTAGE RATE	13.25%

The computation of the APR under these conditions is once again very complex and involves the use of the same general equations provided in Supplement I to Regulation Z. A specific example is provided on page 12 of that supplement. In these instances, the linear equation would be:

$$\frac{1,000}{\ } + \frac{120}{(1+i)^1} = \frac{98.85}{(1+i)^1} + \cdots\cdots + \frac{98.85}{(1+i)^n}$$

Then $i = .011042$ And $12 \times .011042 = .1325$ or

ANNUAL PERCENTAGE RATE of 13.25%

In addition, Volume II of the Annual Percentage Rate tables can also be used to determine the APR.

When a borrower *chooses* to arrange (for instance) monthly payments into shares but is not required to do so, no required deposit balance is created. In order to ensure that the borrower understands this is not necessary, the credit union may wish to include a statement such as the following:

> I request that $_________ of my PRD be placed in my share account each month, although I am not required to do so as a condition of this loan.
>
> ________________
> Borrower's Initials

In summary, we strongly urge credit unions to eliminate "required deposit balance" requirements from their lending policies unless they have the capability for calculating the APR accurately. From the preceding illustrations it should be apparent that the calculations are difficult and the resulting APRs are higher than generally supposed. If the credit union underdiscloses the APR, it is subject to civil penalties.

5. PAYROLL DEDUCTIONS AND THEIR EFFECT UPON TRUTH IN LENDING DISCLOSURES

When a credit union member repays a loan through payroll deduction Plans 2 or 3, the schedule of payroll deductions does not coincide with the schedule of loan payments. This may have an important effect upon Truth in Lending requirements. (There is no similar problem with the use of Plan 1, since the loan contract is written to coincide the loan payments with the credit union's receipt of payroll deduction funds.)

Based upon consideration of a recent Federal Reserve Board (FRB) official staff interpretation, and after informal consultation with the FRB staff, NCUA has reached certain conclusions, as set forth below, which should clarify the relationship between Plan 2 (either the standard or modified version) and TIL requirements.

i. Disclosure of the Schedule of Payments

If the member has voluntarily chosen payroll deduction and is aware that the funds are accessible until the date of transfer to the loan account, the schedule of payments should be based on the monthly or other dates of crediting to the loan account, and the APR should be determined on the same basis. The APR may in this case be determined using the monthly payment tables found in Volume I of the FRB's Regulation Z APR Tables.

Concerning the issue of voluntariness, it should be noted that if the borrower must elect payroll deduction in order to obtain more favorable terms, such as a lower rate, payroll deduction is in effect required, and cannot be considered voluntary, for purposes of a loan on those more favorable terms.

If payroll deduction is required, or if the loan payment funds are not accessible to the member up to the date of transfer to the loan account, the transaction should be treated as follows: The schedule of payments should be disclosed according to the schedule of those payroll deductions which are used to make the postings to the loan account. For example, on a one year loan, if payroll deductions are received on a weekly basis, and the payroll deductions received for weeks 1 through 12, 14 through 25, 27 through 38 and 40 through 51 are used to post monthly loan payments (with payroll deductions 13, 26, and 39 remaining in shares), disclosure of this irregular weekly schedule of payments is required. The APR must then be determined using the same schedule of payments, but with reference to the actual finance charge which results from the monthly transfers to loan. (Because of the irregular schedule of payments in this example, the APR computation requires the use of Volume II of the FRB's APR Tables or Supplement I to Regulation Z.) Other closed end credit disclosures required by Section 226.8 of Regulation Z should be made in the usual manner, subject to the following discussion of required deposit balance issues.

ii. Existence of Required Deposit Balances

The existence of a delay between the date of the credit union's receipt of payroll deduction funds and the date of transfer to the member's loan account (i.e., the funds are temporarily held in either the member's share account or an "unposted" account), does not constitute a required deposit balance. Such a temporary holding of funds which will be used to make loan payments is not within the meaning of "required deposit balance" as defined in Section 226.8(e)(2) of Regulation Z.

Incidental amounts deposited to shares which result solely from requirements of the sponsor (such as "rounding" to even dollar amounts or "extra" payroll deductions, as when there are 5 weekly deductions in a month) will not constitute required deposit balances if payroll deduction is strictly voluntary. The rationale is that "required deposit balances" are only those deposits which the creditor requires. Since payroll deduction is not required, the "deposit balances" in these instances result only from requirements of the sponsor. (This assumes, of course, that the credit union in no way encourages the sponsor to impose these requirements.) Note, however, that withdrawal of funds in the member's share account, including these incidental amounts, *may* be subject to restriction, pursuant to either Section 107(11) of the FCU Act (statutory lien) or a contractual security interest, if any. Both of these creditor's rights are security interests for purposes of Truth in Lending, and must be disclosed pursuant to Section 226.8(b)(5) of Regulation Z.

Any deposits to shares (other than those flowing to the loan account) which can be said to result from a requirement of the credit union are "required deposit balances." Requirements by the credit union can take one of two forms. First, if payroll deduction is not voluntary, *any* amounts which are not destined as loan payments, including amounts which result from "extra" payroll deductions and "rounding", are required deposit balances. Further, if the credit union requires that each payroll deduction include an amount for saving in shares, these amounts are required deposit balances regardless of whether payroll deduction is voluntary.

iii. Disclosure of Required Deposit Balances

All required deposit balances must be deducted and disclosed in accordance with Section 226.8(d) and (e) of Regulation Z. If the credit union expressly agrees not to restrict the member's access to the required deposit balances, however, the APR computation will *not* be affected by their existence (since the member has full use of the "required deposit balance" funds and his/her cost of credit is thus unaffected). To determine the APR under these circumstances, the FRB's APR Tables may be used. In this connection, the required deposit balances should be added back into the amount financed, for purposes of determining the "finance charge per $100 of amount financed." If, on the other hand, access to the required deposit balances is restricted, this will affect and greatly complicate the determination of the APR. For examples of APR computations in restricted required deposit balance situations, see Supplement I to Regulation Z.

iv. Conclusions

We urge those Federal credit unions with payroll deduction programs to allow their member/borrowers to freely choose whether they will pay their loans by payroll deductions or by other means. Such a policy, combined with the other conditions discussed above, simplifies Truth in Lending requirements, and thus reduces the likelihood of mistakes which might result in civil or administrative penalties, while at the same time affording each creditworthy member the opportunity to choose the payment method best suited to his/her individual needs.

For those credit unions which do not require the use of these payroll deduction plans but whose members choose to use them, a statement on the disclosure form such as the following would help assure member understanding.

> I understand that payroll deductions are not required as a condition of this loan, but I *elect* to repay the loan by means of the following payroll deduction plan: (describe payroll plan in use here).
>
> ____________________
>
> Initials of Borrower

Those FCU's which nonetheless continue to require payroll deduction from members who are eligible must ensure that they are in compliance with difficult Truth in Lending requirements, including those outlined above.

6. DEFERRALS, EXTENSIONS, AND REFINANCES (SECTIONS 226.8(j)(l))

Truth in Lending disclosures of loan transactions involving deferrals, extensions, or refinancing of the existing loan obligations are as follows:

Deferral means a temporary interruption of the established systematic repayment schedule which involves one or two payment periods *with no change in the existing terms of the loan and in which no charge is made other than the additional interest which would accrue on the unpaid balance.* The interest is calculated by applying a stated percentage to the unpaid monthly loan balance. A deferral, as defined, would not require additional disclosures under Regulation Z.

Extension means amending or supplanting the terms of the original note to achieve a reduction in the original contracted note's scheduled or systematic repayments *without supplying additional money.* The change in the original terms of the loan would be subject to disclosure requirements by Regulation Z.

Refinancing means the changing of the existing terms of loan when *supplying additional money,* the sum of which is to be consolidated with any existing extension of credit. The mere addition of the accrued interest to the outstanding balance of any existing loan balance would not in itself constitute a refinance under this definition. The change in terms requires disclosure in the normal manner under Section 226.8 of Regulation Z.

7. SPECIAL LOAN TRANSACTIONS

i. Loans by Mail or Telephone (Section 226.8(g))

When loan requests are received by mail or over the telephone the disclosures required by Regulation Z *may* be made at any time up to the time the first payment is due provided certain conditions are met. These conditions are outlined in Section 226.8(g).

ii. Construction Loans and Other Multiple Advance Loans (Section 226.8(i))

In many cases, the amounts and the dates of advances for multiple advance loans are not known. Therefore, Regulation Z provides that: (a) if the loan is one of a series of advances made pursuant to a written agreement under which the credit union is (or may be) committed to extend credit up to a specific amount, and (b) the customer has approved in writing the APR/APRs, the method of computing the finance charge and any other terms, then the agreement is considered a single transaction, and (at the credit union's option) the disclosures required need be made only at the time the agreement is executed.

Federal Reserve Board interpretation 226.813 provides the formulas necessary to estimate the information required to be disclosed under 226.8(b)(2) and (3) and (d)(3).

iii. Loans for Agricultural Purposes (Section 226.8(p))

Loans for agricultural purposes in excess of $25,000 are exempt from Regulation Z.

Regulation Z has special disclosure requirements for agricultural loans for which the amount or date of any advance or payment is tied to production or seasonal needs *and* is not known at the time the loan is granted. These disclosures are outlined in Section 226.8(p) of Regulation Z.

iv. An Outstanding Loan Repaid by Someone Other Than an Original Party to the Loan (Section 226.8(k))

If a person who was not previously a party to the loan agrees to repay a member's loan, the credit union must provide certain disclosures to that person. See Section 226.8(k) of Regulation Z and Interpretation 226.807, which is on page 75 of the appendix.

H. OPEN-END CREDIT

1. WHAT IS IT? (Section 226.2(x))

A common example of open-end credit is a revolving credit account. Such plans usually provide for granting small amounts of credit up to an agreed upon limit (the maximum approved by the credit committee or loan officer). The formal definition is at Section 226.2(x).

2. REQUIRED DISCLOSURES FOR OPEN-END LOAN PROGRAMS (SECTION 226.7)

The basic disclosure concept for open-end plans is to provide the member with the ground rules of the plan before the account is actually used. Following that, when the account is used, certain disclosures are required to be made on the statements sent to each borrower.

i. New Account Disclosures (Section 226.7(a))

Before the first transaction is made on an open-end account, the borrower must be given a single written statement, which he may keep, containing the following disclosures:

(a) The conditions under which a finance charge will be imposed.

(b) The method of determining the balance upon which the finance charge is computed.

(c) How the amount of the finance charge is determined.

(d) The periodic rate and the annual percentage rate.

(e) The conditions under which any other charge, such as a late charge, may be imposed.

(f) A description of any type of security interest which may be obtained and the conditions under which the credit union may obtain the security interest. (Section I discusses security disclosure requirements in more detail.)

(g) The minimum periodic payment required.

(h) A statement and/or notice describing the borrower's right to dispute billing errors as outlined in Section 226.7(a)(9). The statement should be substantially the same as the one provided in Section 226.7(a)(9). The statement should appear on the front of the disclosure form along with the other disclosures. However, if it is not on the front of the form then one of the following *notices* must be on the front of the disclosure:

"NOTICE: See accompanying statement for important information regarding your rights to dispute billing errors."

"NOTICE: See reverse side for important information regarding your rights to dispute billing errors."

Credit unions may also choose to include a comparative index of credit cost in its initial disclosure statement. However, this *optional* disclosure is rarely, if ever, used. See Section 226.11 for the specific disclosure requirements.

ii. Disclosures on Members' Statements (Section 226.7(b) and (c))

Every borrower, except those with accounts which are considered uncollectible or for which collection procedures have been instituted, must receive a statement at the end of each billing cycle unless the *undisputed* balance outstanding is $1.00 or less (either debit or credit). However, if a finance charge is charged to the account, a statement *must* be issued even if the balance is $1.00 or less. For credit union purposes the billing statement can be the member statements distributed periodically (at least quarterly) to open-end borrowers (usually at the end of each calendar quarter).

Federal credit unions which offer open-end loan programs which allow a member to repay any part of the outstanding balance *without* having to pay an additional finance charge or other charge should refer to Section 226.7(b)(2). That section outlines the special *mailing* requirements for sending the members' statements.

If applicable, the following disclosures must be made on the members' statements. *The terms shown in quotations must be used. No other terms can be substituted.* In addition, if any of the following disclosures appear on *other than the face* of the statement, see Section 226.7(c) for additional requirements.

(a) "Previous Balance". This is the amount outstanding at the beginning of the statement period. If the previous balance is a credit, it must be reflected as such.

(b) "Payments". The amount and date of payments.

(c) "Credits". This includes items such as finance charge rebates or other adjustments. These credits must be distinguished from payments.

(d) "Finance Charge". (This term must be printed in accordance with Section 226.6(a)). This is the amount of finance charge actually collected during the statement period. This disclosure must be itemized and identified in accordance with Section 226.7(b)(iv).

(e) The balance on which the finance charge was computed and a statement indicating how that balance was determined.

(f) "Annual Percentage Rate". (Must be printed in accordance with Section 226.6(a)).

(g) The closing date of the statement period.

(h) "New Balance". This is the balance outstanding at the end of the statement period. If the new balance is a credit balance it must be identified as such. If the credit union requires a minimum payment, the disclosure of the minimum payment due *cannot* be more conspicuous than the new balance.

(i) "Periodic Rate". This is the rate used to compute the finance charge. If more than one rate is used to compute the finance charge, they must all be disclosed. (See Section 226.7(b)(v).)

(j) "Corresponding Annual Percentage Rate". This is the rate resulting from multiplying the periodic rate by the number of periods in the year. (Also see Section 226.7(b)(v).)

(k) The balance on which the finance charge was calculated.

(l) The amount of the finance charge in dollars and cents.

(m) An address to which billing error inquiries can be sent. The address must be on the front or back of the statement and preceded by the words "Send Inquiries To:" or other similar wording.

There has been considerable discussion regarding to whom the inquiries should be directed. Federal credit unions currently have the option of directing billing inquiries to the credit union *or* the supervisory committee. However, when members are referred to the credit union, certain precautions must be taken if the supervisory committee uses the statements to verify the members' accounts. When the supervisory committee uses the member statements to perform the account verification, the term "Supervisory Committee" (or the name of its chairman) and its address must be shown after the caption "Send Inquiries to:" and the credit union's name and address must be removed. Another option available when the statement refers member billing error inquiries to the credit union is to have the supervisory committee send a *separate* notice with the members' statements when verifying the accounts. The notice could inform the members that a verification is in process and that any discrepancies in their balances should be reported to the committee. The notice *must* also state that reporting any errors in response to the verification request does not interfere with or satisfy the billing error resolution procedures available under Regulation Z.

iii. Description of Transactions on the Members' Statements (Section 226.7(k))

The members' statements must contain descriptions of the transactions which occurred during the statement period. The type of identification is dependent upon the nature of the transaction.

For most credit unions, open-end credit is obtained by use of loan drafts, cash loan advances, overdraft transfers or other nonsale transactions. These transactions may be disclosed either by (1) enclosing with the member's statement actual copies of the documents evidencing each charge to the open-end loan account (showing at least the amount and date) or (2) identifying the transaction (as a cash advance, draft, etc.) and the amount and date of the transaction on the member's statement. The date of the transaction is the date on which the member uses a draft or obtains a loan advance, as applicable (except that the date of debiting may be used in cases of shares overdraft transfers, by analogy to footnote 9e to Section 226.7(e)(3)(ii)). There is, however, the stipulation that the creditor treat any consumer inquiry about the transaction as a notification of billing error and erroneous billing subject to the provisions of Section 226.14 (which are explained subsequently in this Part).

If a credit union extends credit other than "nonsale credit" through open-end loan accounts, it must comply with the transaction identification disclosure requirements discussed in Sections 226.7(k)(2)(i) and (ii). For Federal credit unions, this will usually involve situations where a member uses a credit card made available by the credit union to purchase a product or service.

iv. Semi-Annual Statement of Rights (Section 226.7(d))

A full "statement of rights" (see Section 226.7(9)) must be mailed or delivered at least semiannually on or with the members' statements to each open-end borrower entitled to receive a statement at the time of that distribution. Except as discussed in Section 226.7(d), these distributions should be made regularly every six months following the initial disclosures discussed previously.

An alternative to the semiannual distribution of the full "statement of rights" involves the distribution of the shorter "statement of rights" shown at Section 226.7(d)(5) on or with *each* distribution of periodic statements to open-end borrowers. This alternative may be used *provided* (a) the credit union promptly provides such borrower with a copy of the full "statement of rights" upon request or notification of a billing error and (b) the members' periodic statements contain, *if applicable*, one of the notices required under Section 226.7(c)(4).

v. Location of Disclosures on Members' Statements (Section 226.7(c))

If any of the disclosures discussed in (b), (c), and (d) above, which are *not* required to appear on the front of the members' statements, appear either on the reverse side or on an accompanying statement, then one of the following notices must be placed on the front of the statement:

"NOTICE:	See reverse side for important information."
"NOTICE:	See accompanying statement(s) for important information."
"NOTICE:	See reverse side and accompanying statement(s) for important information."

The Regulation requires that the required disclosures shall not be separated so as to confuse or mislead the consumer or to obscure or detract from the information required to be disclosed. *Required disclosures must appear on the portion of the statement that the member may retain.*

vi. What To Do If You Change The Terms Of Your Open-End Loan Program (Section 226.7(f))

If a credit union reduces the amount of the minimum payment due, the periodic rate, or any minimum transaction charge, it is not required to notify its members. If any other change in terms occurs, the credit union must notify all members to whom it is required to send a periodic statement and any others who may be affected by the change. The notice must clearly disclose the changes and must be mailed or delivered to the member at least 15 days prior to the beginning of the billing cycle in which the changes are to occur. Members that did not have to receive a notice but who activate their accounts later, must receive a copy of the notice by the date of the next statement following activation of the account. However, if the periodic rate or any minimum charge is increased, all participants in the program regardless of the status of the account must be given a notice of the changes at least 15 days before the billing cycle in which the changes are effective.

vii. Loan Drafts (Section 226.7(j))

Where a credit union is using a loan plan which utilizes loan drafts, Section 226.7(j) may apply when the loan drafts are not part of the original agreement and delivery is later than 30 days from the date of the initial disclosure. This section calls for additional specific disclosures to be made. Affected credit unions should refer to this section of the Regulation for further details.

It is important to note that if you are using loan drafts you must disclose *the date a draft is written* on the member's statement.

3. PAYROLL DEDUCTION PLAN 2 AND ITS EFFECT UPON OPEN-END LENDING REQUIREMENTS (SECTION 226.7(g))

Under payroll deduction Plan 2, weekly or other periodic payroll deductions are accumulated by the credit union and transferred at a later date (usually monthly) to the loan account. The question arises whether this aspect of Plan 2 violates Section 226.7(g) of Regulation Z, which requires 'prompt crediting' of payments on open-end credit accounts. In other words, when this payroll deduction plan is used in connection with open end loans, does each payroll deduction (or an appropriate portion of it) constitute a loan payment which must be credited to the loan account as of the date of receipt instead of being accumulated as called for under Plan 2?

According to a recent FRB official staff interpretation (FC-0077), Plan 2 may be used, and the credit union is not required to credit the open-end loan account as of the date of receipt of each payroll deduction, *if* the following conditions are met: (a) the member has voluntarily chosen payroll deduction (i.e., the member understands that payroll deduction is not required, nor is it a factor in ruling on the loan application) and (b) all payroll deduction funds which are scheduled to be transferred to the loan account, including any amounts received by the Credit Union but not yet posted to the member's share account, are accessible by the member (i.e., can be withdrawn) until the agreed upon date of transfer to the loan account. The FRB Staff has taken the position that if these conditions are met, receipt of each payroll deduction will not constitute receipt of a payment on the loan account. Rather, payment on the loan account will occur on the agreed date of transfer. The rationale is that if payroll deduction is voluntary and the funds are fully accessible, the payroll deduction is no different than a voluntary addition to a share account.

If your credit union uses Plan 2 in connection with open-end credit and meets the above conditions you should (in order to best protect the credit union and enable NCUA to review your procedures) inform your member/borrowers in writing of (a) the mechanics of the payroll deduction plan, (b) the fact that payroll deduction is voluntary and (c) the fact that the funds are accessible until the date of crediting. If your credit union has provided the information orally in the past, you should modify your procedures immediately (e.g., by the addition of appropriate language to the written payroll deduction agreement.)

Finally, if the conditions for treating the monthly or other date of crediting to the open-end loan account as the date of receipt of the loan payment are not met, payroll deduction Plan 2 may not be used (as its use would result in violation of Section 226.7(g) of Regulation Z).

4. WHAT TO DO IF A MEMBER PAYS TOO MUCH (SECTION 226.7(h))

If a credit union receives a payment which is larger than the loan balance, it may post the entire amount to the member's account or refund the excess portion to the member. If the credit union chooses to send a refund, the refund must be returned to the borrower within 5 business days. If it posts the excess amount to the member's account, the member can request that the excess amount be refunded. In that case, the refund must be sent to member within 5 business days after receipt of the request. Excess payments of less than $1.00 do not have to be refunded.

I. DISCLOSING SECURITY FOR LOANS (SECTIONS 226.7(a)(7) AND 226.8(b)(5))

The proper disclosure of the security interest which a credit union and borrower agree will secure a loan is not only important for the purposes of Regulation Z, but also to protect the interests of both parties. The disclosure requirements for open-end credit and credit other than open end are different, and each must be understood if you are to determine whether the disclosures you are providing comply with Regulation Z.

1. OPEN-END LOANS (SECTION 226.7(a)(7))

For open-end loans, a credit union must disclose the conditions under which it may acquire a security interest (e.g., default, late payment, adverse effect on ability to pay) in any property to secure payment of any advances made on the account, and a description or identification of the type of security interest (e.g. comaker, pledge of shares, U.C.C. lien) which may be obtained. For example, the disclosure may state that if the loan balance reaches a certain level, either a specific type or several types of security interests may be acquired. Likewise, the disclosure may reflect that in the event of default or an adverse change in the borrower's ability to repay a security interest may be obtained.

2. CLOSED-END LOANS (SECTION 226.8(b)(5))

For closed-end loans, the disclosure statement must identify the type of security interest (e.g., pledge of shares, U.C.C. lien, etc.), and clearly identify the property securing the loan. Clear identification means an adequate description so that the borrower knows which items of property are being given as collateral for the loan. For example, an adequate description of an automobile need not include its serial number; the make and year would be sufficient. Similarly, when household goods or corporate securities are given as security a simple statement such as "household goods" or "corporate securities" would be sufficient identification of the security *for the purposes of Regulation Z*. However, the *Regulation Z disclosure requirements should not be confused with any State or local disclosure law requirements which are necessary to perfect a security interest in an item securing a loan.* Such laws may require a more specific identification of security and identification of the conditions under which the credit union will act upon the security interest. Such disclosures are usually included in the note and/or security agreement.

If the item offered as security cannot be identified, the credit union must disclose the manner in which the credit union may obtain a security interest in the item and the type of security interest.

In addition, if "after acquired" property, such as future shares, will be pledged, this fact must be clearly disclosed.

3. SECURITY INTEREST IN SHARES

(i) Creation of security interests; statutory and contractual

Many credit unions utilize loan contracts which establish a security interest (often referred to as a pledge of shares) in the borrowing member's share account. Also, the shares of any borrowing Federal credit union member are subject, pursuant to Section 107(11) of the Federal Credit Union Act, to a "statutory lien", which is a type of security interest for purposes of Regulation Z. Disclosure of all security interests, including security interests in a credit union member's share account(s), is required by Regulation Z. The specific disclosure requirements, which differ for open-end and other than open-end credit, are discussed below. First, however, it is important to recognize the distinction between, on the one hand, the *legal rights* of both the credit union and a member/borrower with respect to the member's share account(s), and, on the other hand, the Regulation Z requirements of *disclosure* of all security interests.

The credit union's legal rights in a borrowing member's share account(s) are created by statute and by contract. The statutory lien of Section 107(11) of the FCU Act exists for all FCU loans to members. The rights created by this lien are limited. First, the statutory lien can be used to restrict access to shares only to the extent of any past due portions of a member's loan balance (plus any related charges, and a legitimate late charge). Further, since the FCU Act does not prescribe a manner for enforcing the lien, it is necessary to follow the procedures established by applicable state law, which may require that the Federal credit union institute a court proceeding.

Any additional security interest in a borrower's shares (e.g. a pledge of shares) must be established by contract, in accordance with applicable state contract laws, and should clearly spell out the rights of the parties. Examples of questions which should be answered by the terms of any contractually created security interest are: Which share accounts are subject to the security interest? (e.g., Those of both the borrower and any comakers? The borrower's regular share account only, if the credit union offers variable share and share certificate accounts? The borrower's individual account, any joint accounts, or both?) Is the entire account subject to the security interest or only shares in a specified amount? Are after acquired shares subject to the security interest? To what extent is access to the borrower's share account restricted by virtue of the security interest? (When the loan payments are current? Only when the loan is delinquent or in default? Note, in this regard, that a Federal credit union may never restrict access to a member's shares, on the basis of a security interest, to the extent that the shares exceed any loan balances (and related changes) on which the member is obligated.)

(ii) Disclosure of Security Interests in Shares

In cases of closed-end loans, in order to meet the disclosure requirements of Regulation Z it is necessary to disclose the type of any security interest and clearly identify the property to which it relates. Further, if after acquired property (including shares) is subject to the security interest, the disclosure should so state. Inasmuch as the statutory lien on shares exists in all cases, it should always be disclosed. An example of appropriate language would be: "Security interest: Pursuant to 12 U.S.C. 1757(11) shares, including after acquired shares, to the extent of that portion of your loan balance which is in default and any charges due." If an additional security interest is created by contract, an appropriate addition to the disclosure should be made, e.g. "In addition, the credit union (lender) holds a pledge of shares now and hereafter acquired in your (borrower) regular share account." (The wording of course should suit the terms of the security interest, e.g. if a specific amount of shares are pledged, or if the security interest covers other than the borrowers regular share account, the wording should so indicate.)

In cases of open-end credit, the credit union must disclose (1) the conditions under which it may retain or acquire a security interest and (2) the type of security interest. Thus, for open end credit, the statutory lien might be disclosed as follows: "The credit union (borrower) holds the authority to impress and enforce a lien on your shares to the extent of that portion of your loan balance which may be in default, and any charges due, pursuant to 12 U.S.C. 1757(11)." Appropriate additions should be made for any contractually created security interest.

Note that whenever either open-end or closed-end credit is extended pursuant to the use of credit card, Section 226.13(j) of Regulation Z affects the credit union's ability to take a security interest in the member's shares. The only clearly permitted security interest in such cases is a contractually created security interest in a specified amount. Finally contractual provisions concerning security interests in shares should reflect, if applicable, that shares in an IRA or Keogh account are not covered by the security interest.

J. BILLING ERRORS AND RESOLUTION PROCEDURES (SECTION 226.14)

Section 226.14 sets forth procedures for resolution of "billing errors" and establishes restrictions on credit reporting as to amounts in dispute. This section applies only to open-end credit transactions and one other limited area: other than open-end credit extended by use of a credit card. The term "billing error", as defined in Section 226.2(j), includes any one of a broad range of errors or problems which a borrower believes to exist.

To trigger the billing error resolution procedures, a borrower must send a "proper written notification of a billing error" (as defined by Section 226.2(cc)). (If there is any doubt, however, that an inquiry might be an allegation of error, the credit union should treat it as being the latter.) Upon receipt of such notification, the borrower's inquiry must be acknowledged by the credit union within 30 days, and his or her dispute must be resolved within 2 full billing cycles (and in no event more than 90 days) after receipt of the notification. Should the dispute be resolved within 30 days, acknowledgment need not be sent. The dispute must be resolved in one of the three manners set forth in Sections 226.14(a)(2)(i)–(iii).

During the resolution process, the borrower need not pay any amount in dispute, nor may a loan payment be credited under an automatic transfer plan. (Also, if the automatic transfer of a disputed amount has been effected, but the "proper written notification" is received within 16 days of mailing the periodic statement, the disputed amount must be returned to the borrower's share account.) If, at the completion of the resolution procedure, it is determined that the borrower owes any part of the disputed amount, the borrower may be required to pay finance charges (interest) on such amount and make up any missed required payments. The borrower's entire debt may not be accelerated, however, nor may late charges be assessed, or the loan account closed because of his or her exercise of rights under this section. Upon completion of the error resolution procedure, regardless of whether an error was determined to exist, the lender must promptly notify the borrower of any amount owed.

In addition to the other time limitations on resolving billing error disputes, such disputes *must* be resolved prior to the taking of *any* action by the creditor to collect any portion of the disputed amount or charges computed thereon. Also, under

Section 226.14, a lender may not report adversely on a borrower's credit standing with regard to amounts in dispute, nor threaten to make such a report until the lender has complied with all of its responsibilities under the error resolution procedure (see Section 226.14(e) for further details).

Finally, it is extremely important to note that the section imposes a forfeiture penalty on lenders who fail to comply with required procedure, whether or not a billing error has in fact been made (see Section 226.14(f)).

K. RIGHT OF RESCISSION (SECTION 226.9)

The Truth in Lending Law and Regulation Z give a borrower the right, under certain circumstances, to cancel a credit transaction within 3 business days when the credit union acquires or retains a security interest in the borrower's principal residence. The cancellation right *does not* apply to first mortgages to finance the purchase or construction of a borrower's principal residence. But the right of rescission does apply in any other case where the borrower's principal residence (or property which is expected to be used as the borrower's principal residence) serves as security for a consumer loan.The regulation specifies the type of notice the creditor must give a customer when the right of rescission can be exercised.

The following is a summary of the right of rescission section of Regulation Z.

1. The right of rescission *does not* apply to the creation of a first lien to finance the purchase or construction of a dwelling which will be used as the borrower's principal residence.
2. *All other loans* which are or may be *secured by a borrower's personal residence* (such as second mortgages, mechanic's or contractor's liens) *are subject to* the right to rescind.
3. If the right to rescind applies, the credit union *must* give two copies of the notice of the right to rescind to the borrower and any joint owners of the property.
4. The credit union cannot advance the loan funds (other than in escrow) until it is satisfied that the borrower does not intend to rescind the transaction, unless an emergency exists and waivers of rescission rights are obtained from all parties to the loan who have that right.

Credit unions must be certain to follow the procedures outlined in Section 226.9(d) when a member exercises his rescission rights. Basically, the credit union must take whatever action is necessary to cancel the transaction, release the lien on any property, and return any funds received from the borrower, all within 10 days after receipt of the rescission notice. When this is accomplished, the property should be returned to the credit union by the borrower. If the credit union does not take possession of the property within 10 days after the borrower makes it available, the borrower can obtain the property *without having to pay for it.*

L. CREDIT CARDS (SECTION 226.13)

1. GENERAL INFORMATION

Section 226.13 sets forth a comprehensive series of special requirements concerning credit card transactions. The requirements of that section must be thoroughly understood by any Federal credit union which determines that it is involved in such transactions.

A definition of the term "credit card" can be found at Section 226.2(r). Generally, a plastic, paper or other identifying card or item which merely identifies a person as a current member, but does not facilitate his or her receipt of credit, would not be a credit card. However, if the card is used to facilitate the receipt of credit, property or services, there is a strong possibility that it is a credit card for the purposes of Regulation Z. In this case, the credit union should comply with Section 226.13 or assure itself that its card is not a credit card. Any Federal credit union that is uncertain as to whether any program which it is carrying out qualifies as a credit card program should consult with the National Credit Union Administration or the Federal Reserve Board, or receive legal advice from its attorney.

With respect to those FCUs which are involved in credit card transactions, in addition to the requirements of Section 226.13, consideration must be given to Section 226.8(q) which provides that consumer credit other than open-end which is extended by use of a credit card shall also be subject to certain requirements of Sections 226.7, 226.13 and 226.14.

2. ISSUANCE OF CREDIT CARDS (SECTION 226.13(a))

Federal credit unions which are involved in credit card programs cannot issue unsolicited credit cards. A credit card may only be issued when:

1. It is requested or applied for

or

2. The card is a renewal of, or substitution for, a card already held by the member.

(It is permissible to solicit credit cards by telephone.)

3. LIABILITY FOR UNAUTHORIZED USE (SECTION 226.13(b), (c), (d), (e), (f))

Credit card holders can be held liable for unauthorized use up to a maximum of $50. However a credit union can hold a card holder liable for unauthorized use only if the following conditions are met.

1. The card holder (member) must have requested and received the card on which the unauthorized use occurred, or signed it, used it, or authorized another person to use it.

2. The credit union must have given the card holder notice of the potential $50 liability. The notice may be placed on the credit card or given by any other means. However, the notice must have been given within two years of the unauthorized use. The notice must inform the card holder whom to contact (name and address) in the event of loss, theft, or possible unauthorized use of the card.

3. The credit union must provide the card holder with a postage paid, addressed notification, which may be mailed in the event of loss, theft, or possible unauthorized use. However, the card holder may notify the credit union by several other means as stated in 226.13(e).

4. The credit union must have provided a means by which the card holder can be identified as the person authorized to use it. A signature panel on the card is generally the most common method of identification.

5. The unauthorized use must have occurred *before* the card holder notified the credit union of its loss.

If a credit union attempts to hold a card holder liable for use of a card (up to the $50 maximum), the burden of proof is on the credit union to show that the above conditions have been met.

4. ISSUANCE OF CREDIT CARDS TO BUSINESSES (SECTION 226.13(h))

If a credit union issues 10 or more cards to employees of a single business for business use, the credit union may negotiate with the business regarding the terms of liability for unauthorized use, without considering the conditions or requirements set forth above. However, neither the credit union nor the business may hold an employee of the business liable unless the above conditions have been met, and then the liability cannot exceed $50.

5. RIGHTS OF THE CARD HOLDER (SECTION 226.13(i))

It is also important for a credit card-issuing credit union to distinguish between two party versus three party credit cards. A two party card involves only the credit union and the member, while a three party card also involves a merchant or other outside acceptor of the card. Section 226.13(i)(1) specifies the rights available to the card holder when disputing a three party credit card transaction.

6. PROHIBITION AGAINST OFFSETS (SECTION 226.13(j))

Unless there is a prior arrangement (which meets the requirements of 226.13(j)(2)) between the credit union and its member to repay credit card debt from a share account, *or* a court order has been obtained, a credit union cannot offset a member's (card holder's) indebtedness against his/her shares. This does not prevent taking a contractual security interest in a specific amount of shares, however.

7. CREDITING MEMBERS' ACCOUNTS FOR RETURNS (SECTION 226.13(k))

When the credit union receives notification that a member's debt which was incurred through use of a credit card has been removed (e.g., when an item purchased has been returned), the credit union must credit the member's account within 3 business days.

M. ADVERTISING (SECTION 226.10)

1. GENERAL RULE (SECTION 226.10(a))

A credit union cannot advertise credit terms which it does not usually grant. In other words, it is prohibited from advertising a program which is primarily intended to "bait" members.

2. CATALOGS AND MULTIPLE-PAGE ADVERTISEMENTS (SECTION 226.10(b))

Specific rules are set out in Section 226.10(b) which determine whether an advertisement may be considered a single advertisement and thereby eliminate the necessity for complete disclosures on each individual page. Generally, the credit terms must be clearly disclosed in a table or schedule, and when there is a statement on a page or pages other than on the same page with the table or schedule, there must be a clear and conspicuous reference to the page or pages on which the table or schedule is contained.

3. TRIGGER TERMS

No advertisement may contain a specific credit term unless all other credit terms are also disclosed. Terms which require a complete advertisement are called "trigger terms". For example, if a credit union advertises "36 months to pay" it must also state the other terms including the amount of the loan, total of payments, number, amount and due dates or periods of payments, and the Annual Percentage Rate.

The following listing of terms is being provided to assist you in determining whether your advertisements contain "trigger terms".

EXAMPLES OF GENERAL PHRASES WHICH DO NOT TRIGGER FULL DISCLOSURE

OPEN END CREDIT	CLOSED END CREDIT
"Money Sale"	"Get an Auto Loan for 9.25 Annual Percentage Rate"
"Pay Monthly"	"Pay Weekly"
"Open a Bank Card Account"	"No Finance Charges Until Spring"
"Just Say Charge It"	"Bank Financing Available"
"Charge Some Cash"	"Save 10% of the Annual Percentage Rate You'd Ordinarily Pay"
"Easy Credit"	"Easy Monthly Terms"
"Charge It—It Will Not Be Billed To Your Account Until February"	"Your First Installment (do not use "payment" unless you state "monthly payment") Begins in June"

EXAMPLES OF SPECIFIC TERMS WHICH TRIGGER FULL DISCLOSURE

OPEN END CREDIT	CLOSED END CREDIT
"3 Years to Pay"	"No Money Down"
"A Small Monthly Service Charge On the Remaining Balance"	"10% Down"
"12% Annual Percentage Rate"	"90% Financing"
"Repayment as Easy as 5% of the Outstanding Balance"	"As Low as $10 A Month"
	"24 Months to Pay"
	"30 Equal Payments"
	"No Charge for Credit"

4. OPEN-END, CLOSED-END AND FHA ADVERTISING (SECTIONS 226.10(c), (d), (e))

The requirements for complete advertisements are contained in Section 226.10(c), (d) and (e). The requirements differ for open-end and closed-end credit. There are also specific advertising requirements for certain loans granted under Title II, Section 235 of the National Housing Act.

5. ANNUAL PERCENTAGE RATE

Credit unions must be certain not to use "add-on" or "discount" rates in their advertisements and discussions with customers. It is not permissible to quote these rates even if the APR is quoted with them. It is permissible to advertise a simple interest rate *in conjunction with* the APR when a component of the finance charge includes interest computed at a simple annual rate, such as for a home mortgage loan.

The annual percentage rate does not have to be disclosed more conspicuously than other terms in advertising. However, the spelling of credit terms specified in Regulation Z cannot be abbreviated or otherwise altered when used in an advertisement.

6. MORE-THAN-FOUR-INSTALLMENT RULE

Any credit advertisement promoting a loan which is payable in more than four installments must, unless a finance charge is imposed, clearly and conspicuously state: "The cost of credit is included in the price quoted for goods and services".

N. QUESTIONS AND EXPLANATIONS TO HELP YOU DETERMINE WHETHER YOUR CREDIT UNION IS IN COMPLIANCE WITH REGULATION Z

The following questions and accompanying explanations highlight the basic requirements of Regulation Z. Answering the questions after considering the respective explanation should give you a good indication as to whether your credit union is in compliance with Regulation Z.

A "no" answer to any questions other than question 11 would indicate a probable violation. In such cases appropriate corrective action should be taken promptly.

CREDIT OTHER THAN OPEN-END

QUESTIONS	EXPLANATIONS
1. Does the FCU compute and disclose the finance charge correctly?	1. Determination of Finance Charge—Section 226.4. The general rule is that the finance charge is the sum of all charges payable directly or indirectly by a borrower as an incident to, or condition of, the extension of credit. If there is more than one item in the finance charge, each must be separately identified. In most credit unions interest is the only item in the finance charge. The Manual of Laws, however, lists additional items which must be included when applicable. One of these is credit disability or loan protection insurance which, when charged to the borrower, must be included in the finance charge unless: (a) insurance coverage is optional and this fact is clearly and conspicuously disclosed in writing and (b) the member gives a dated and signed statement stating that he wants the insurance after the FCU discloses the cost in writing. In addition, certain costs (other than interest), if itemized and disclosed, need not be included in the finance charge. See Sections 226.4 (b) & (e) of the regulation and the Manual of Laws.
2. Does the FCU compute the Annual Percentage Rate Correctly?	2. Determination of Annual Percentage Rate—Section 226.5. The APR may be computed using Volume I of the Federal Reserve's Annual Percentage Rate Tables. However, commercially prepared tables are available as an aid for FCUs that charge interest only. If a required deposit balance, required payroll deduction or any other costs are included in the APR, adjustments in the APR may be necessary. See Questions 4 and 5 and Manual of Laws.
3. Does the FCU make proper disclosure of all required information in a clear/conspicuous manner and in meaningful sequence?	3. Disclosure for credit other than open-end—Sections 226.8 & 226.6(a). Where the terms "FINANCE CHARGE" or "ANNUAL PERCENTAGE RATE" are used, they must be printed more conspicuously than other terminology, and all numerical amounts must be shown as elite typewritten numerals or equivalent size. In addition, to the extent applicable, the FCU must include the following information on the disclosure form: (a) The amount of credit being extended (b) The total dollar amount of the finance charge (c) The date on which the finance charge begins to accrue, if this is different from the date of the transaction

QUESTIONS *(Continued)*	EXPLANATIONS *(Continued)*
	(d) Any required deposit balance (e) The Annual Percentage Rate (f) The number, amount and frequency of payments to be made by the borrower (g) The total of all payments, including interest and principal (h) Any late charge that a credit union may impose (i) Any acceleration clause or other provisions that may be exercised by the FCU* (j) A description of any security interest held for the loan, including a clear identification of the property to which it relates. Included in Regulation Z definition of "security interest" is any statutory lien. Thus, the lien on shares created by Section 107(13) of the FCU Act should be disclosed as a "security interest" in shares. Any pledge of (or other interest in) shares created by the loan contract must also be disclosed as a security interest in shares. (k) The name of the credit union. Required terms that **must** be used are: "Amount Financed," "Finance Charge," "Annual Percentage Rate," "Total of Payments," and "Required Deposit Balance." In addition, "ANNUAL PERCENTAGE RATE" and "FINANCE CHARGE" must be more conspicuous. Also note that if a credit union sells repossessed or other property and finances the sale, the slightly different provisions of Section 226.8(c) will apply in addition to the general provisions of 226.8(a).
4. If applicable, does the FCU make proper disclosure for required deposit balances?	4. According to Section 226.8(e)(2) a required deposit balance (RDB) is any share-deposit or similar payment which a credit union requires the applicant to make as a condition of the extension of credit except: (i) an escrow account (ii) an estate loan (iii) a share or similar balance which was in existence prior to the extension of credit and which is **offered** by the member as security for that extension of credit, and (iv) any voluntary addition to savings made during the term of the loan which is not required by the credit union. The key to determining whether a pledged share account is an RDB is in the word "offered." If the credit union requires a certain amount to be placed in shares, an RDB is created. However, if the amount was already in the account (and was not specifically placed there to meet the credit union's requirement) or if the amount was otherwise offered by the member as security, no RDB is created. An RDB is also created if a deposit to shares is **required** with each loan payment. When an RDB is created, it must be deducted from the proceeds to arrive at the "Amount Financed." The APR is then computed using either Volume II of the Annual Percentage Rate Tables or Supplement I to Regulation Z. Volume I cannot readily be used to compute the APR in **any** RDB situation. See Manual of Laws for further discussion.

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*Strongly recommended, but not required by Regulation Z.

QUESTIONS *(Continued)*	EXPLANATIONS *(Continued)*
5. If applicable, does the FCU adjust the APR when payroll deduction plans 2 or 3 are required?	5. No adjustment is necessary if payroll deduction plan one is used or if (a) payroll deductions are **not required** and (b) the payroll deduction funds held by the credit union (as under payroll plan 2) are accessible by the member prior to loan transfer (& the member is advised of these facts). Adjustment to the APR is necessary, however, if these conditions are not met. Volume I can be used to compute the APR in these instances provided that the illustration in the Manual of Laws is followed. Also, under payroll deduction plans 2 or 3, if payroll deductions are required and the total of required payroll deductions over the term of the loan exceeds the total of loan payments, an RDB is created unless the member has access to any excess payroll deductions. Volume I cannot be used to compute the APR if a required deposit balance exists. Volume II or Supplement I must be used. In addition, if conditions (a) & (b) above are not met, the schedule of payments on the disclosure statement would have to reflect the actual schedule of payroll deductions to be used for loan payments. See Manual of Laws for further discussion.
6. If applicable, does the FCU provide proper disclosure for minor irregularities?	6. Volume I may be used to compute APR on transactions involving odd first period or one odd payment, but other irregular transactions require the use of Volume II. Examples follow for **monthly** payments with odd first period. (If weekly, bi-weekly or semi-monthly payments are scheduled refer to Manual of Laws.) If the date of final payment is 12 months or more from the date interest begins to accrue (date of loan), no adjustment to the disclosed APR or Finance charge is necessary if the first payment is due in not less than 20 nor more than 50 days.

An example: $1000 loan for 23 months $88.85. Finance Charge is $66.20. Total of payments would equal $1,066.20. Interest begins to accrue 6/1/77. Date of first payment 6/30/77. The following would be provided under 226.8(b)(3):

Number of Payments	Amounts of Payments	Date of 1st Payment	Frequency	Total Payment
12	$88.85	6/30/77	Monthly	$1,066.20

If the date of first payment is 7/15/77 (that is, 45 days), the following would comply with Regulation Z, although alternatively the correct payment of $89.27 could be shown.

Number of Payments	Amounts of Payments	Date of 1st Payment	Frequency	Total Payment
12	$88.85	7/15/77	Monthly	$1,066.20

While the above disclosure would comply with Section 226.5(d) of Reg Z, state contract law might prevent the FCU from collecting the

QUESTIONS ***(Continued)***	**EXPLANATIONS** ***(Continued)***
	additional interest of $5 if the payment amount of $89.27 is not reflected in the payment schedule in the note. Accordingly, an FCU is well advised to use contractually correct figure in the disclosure **and** the note. (See Manual of Laws for disclosures where first payment is outside the above parameters.)
7. Does the FCU provide the borrower with a copy of the disclosure statement prior to or (in case of a combined note and disclosure form) in conjunction with each transaction, and does the FCU retain a copy for two years?	7. Self Explanatory
8. Does the FCU use a factor which is consistent with its payment method when computing the interest charged on a loan payment?	8. It is a disclosure violation (and a violation of the FCU Act if 1% per month is being charged) if the credit union when computing interest on payments applies a daily interest factor based on a 360-day year but uses the actual number of days between payments. (The amount collected would exceed 12% APR as well as 1% per month on the unpaid balance.) Errors because of leap year are exempt. If the FCU charges interest on a 365-day year and charges 1% per month on the unpaid balance, the daily factor would be .00032877. The daily factor for the 360-day method would be .00033333. (See Accounting Manual for additional discussion.)
9. Where combined Note and Disclosure statements are used, are **all** required elements (including the FCU's name) in the disclosure portion, or does the credit union have an attorney's opinion on file that the combined form meets the requirements of Regulation Z? (If the answer to either alternative is yes, mark yes.)	9. If a combined form is used, the credit union should be encouraged to obtain and keep in file an attorney's opinion as to its compliance with these provisions, particularly if there is any question regarding compliance.
10. If the credit union is using a special loan plan, does it make all disclosures required either under the open-end provisions or the closed-end provisions? (If disclosures required for the type of credit involved are not made as prescribed for that type of credit, mark no.)	10. For open-end provisions, see Section 226.7. For closed-end provisions see 226.8. (The determination of which applies can be made by reviewing the special loan plan in use.) If closed-end provisions are used, a full Z-1 type disclosure must be provided with **each** disbursement. If open-end provisions are used, a disclosure must be made when the account is opened and on all periodic statements for that account. (See questions 11 through 17.)

OPEN-END CREDIT

QUESTIONS	EXPLANATIONS
11. Does the FCU provide lines of credit or other credit requiring open-end disclosure to its members? (If the answer is no, questions 12 through 17 are not applicable.)	11. Section 226.7—Open-End Loan Accounts—Specific Disclosure. To qualify as open end, the loan or line of credit must be made **pursuant to a plan** under which: (1) The credit union would permit the member to obtain credit from time to time (with or without the approval of each advance), (2) The member can pay off the loan any time or in installments, and (3) A finance charge is imposed. If the above is applicable to the credit union, the disclosure requirements of section 226.7 are applicable. No exception will be taken, however, if closed-end disclosures are provided with **each** disbursement and all other requirements of 226.8 are met in lieu of those in 226.7.
12. Does the FCU provide proper initial disclosure for open-end requirements prior to the first transaction on that account?	12. Section 226.7(a). Prior to the first transaction, the applicant must receive the following information on the disclosure statement or Master agreement. (1) Conditions under which a finance charge will be imposed. (2) Method of determining the balance upon which a finance charge may be imposed. (3) Method of determining the FINANCE CHARGE.* (4) Periodic and ANNUAL PERCENTAGE RATES.* (5) Conditions and methods under which other charges may be imposed. (6) Conditions under which a security interest may arise. (7) Minimum periodic payment required. (8) Long form notice if not given separately.
13. Does the FCU provide proper disclosure on all periodic statements?	13. Section 226.7(b). Credit unions using an open-end plan must distribute periodic statements at least quarterly. If billing statements are sent on these accounts, they, too, must include proper disclosure. In addition, the following must be disclosed on each statement. (a) The unpaid loan balance using the term "previous balance." (b) The identification of the transaction (Section 226.7(k)). (c) The amount and date of each loan payment using the term "payments" and if any adjustments are necessary, use the term "credits." (d) The interest charged using the term "FINANCE CHARGE." (e) The interest rate using the term "Periodic Rate" and the corresponding APR which is determined by multiplying the "periodic rate" by the number of periods in the year using the term "Annual Percentage Rate". Note four different terms can be used for APR. See Section 226.7(b)(5). (f) When a finance charge is shown on the periodic statement the APR must be shown using the term "ANNUAL PERCENTAGE RATE."

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*These terms must be shown more conspicuously than other information in the disclosure.

QUESTIONS *(Continued)*	**EXPLANATIONS** *(Continued)*
	(g) The balance on which the finance charge was computed and a statement of how that balance was determined. (h) The closing date of the periodic statement and the unpaid balance using the term "New Balance". (i) The address where the FCU wants billing inquiries sent preceded by the term, "Send Inquiries to" or other similar language. This information must be clear and conspicuous. See discussion in Manual of Laws regarding possible conflict with supervisory committee verification requirements.
14. Does the FCU provide the Billing Error Notice with periodic statements as required?	14. Section 226.7(d)—The long form notice must be sent semi-annually unless short form is sent with each periodic statement. If the short form is used, the FCU must also provide a long form (a) if a billing error is received from a member or (b) upon request.
15. Does the FCU follow the billing error procedure correctly?	15. Section 226.7(a)(9)—To handle billing errors, a FCU must: (a) acknowledge disputes within 30 days, if not resolved. (b) Resolve all disputes within 90 days. (c) Suspend any collection activity on the disputed amount and do not report the amount in dispute as delinquent to any outside source. (d) Send an explanation of resolution of billing error. Member has 10 days to notify credit union in writing, if they do not agree with the resolution. (e) Not charge interest on the disputed amount.
16. Does the FCU promptly credit payroll deductions and other payments on open-end or lines of credit accounts?	16. Section 226.7(g)—If a FCU **requires** a member to repay his loan via payroll deduction, only PRD plan 1 can be used. If a FCU **offers** payroll deductions as one method of repayment, and plan 2 is used, any accumulated (non transferred) payroll deductions received to repay the loan must be available for withdrawal by the member, if requested. If an FCU **offers** payroll deductions and plan 3 is used, the members must be told that they will not have access to their shares since the funds and breakdown are **not** provided by the sponsor during the interim period. If the funds are advanced to the credit union, however, and it makes open-end loans, payroll plans 1 or 2 must be used. See Manual of Laws for further discussion. If a member is not on payroll deductions, payments must be credited to the loan as of the receipt date. There are four exceptions to this statement, and they can be found in Section 227.7(g).
17. Does the FCU properly identify transactions on the periodic statement?	17. The periodic statement must identify each advance by disclosing: (a) the amount of the loan, (b) the date of the advance, (c) a brief identification of the transaction, or (d) an identifying number or symbol. The above can be disclosed either on or with the periodic statement.

REGULATION Z—MISCELLANEOUS

QUESTIONS	EXPLANATIONS
18. Does the FCU promptly provide each member with a right of rescission notice if a second mortgage or non-purchase first lien is used as collateral?	18. Section 226.9—The Notice of Rescission gives a borrower the right to cancel a credit transaction within 3 business days after receipt of the Notice. The Notice must be given whenever the credit union acquires or retains a security interest in the borrower's principal residence. No such cancellation right is afforded for first mortgages to finance purchase of a dwelling itself, but the right of rescission **does apply** when a residence is otherwise used as collateral for a consumer loan. The regulation specifies the type of notice the creditor must give a consumer when the right of rescission can be exercised. It is **essential** that the notice be given promptly when the loan is granted. The right of rescission can be given prior to the disbursement of the loan, if the FCU also gives the member all other applicable Regulation Z disclosures.
19. Does the FCU provide required disclosure if a "trigger" term such as 12% APR is used?	19. "Advertising credit terms" is discussed in Section 226.10. Certain terms "trigger" full disclosure requirements for advertising credit. (Examples for closed-end loans include: 10% down, 24 months to pay or 100% financing available. Open-end triggers include: 3 years to repay, minimum pay or 100% financing available. Open-end triggers include: 3 years to repay, minimum pay $30 or 12% APR. See Manual of Laws for an expanded list of trigger terms.
20. Does the FCU provide proper disclosure for extension agreements?	20. Full disclosure must be made for anything other than a temporary interruption involving 1 or 2 payments where no change in the existing monthly payments are made. Any other extension or refinance would require a new disclosure.

O. VIOLATIONS OF THE TRUTH IN LENDING ACT

Violations of the Truth in Lending Act and Regulation Z may result in criminal or civil penalties. However, if the violation was unintentional and if the credit union maintains procedures reasonably adapted to avoid error, then liability may be avoided. Further, a credit union discovering an error detrimental to the borrower may avoid liability by adjusting the terms of the loan to conform to the lesser of the Annual Percentage Rate or the finance charge disclosed. The credit union must make adjustments within 15 days after discovering the error, and before the borrower starts suit.

P. ENFORCEMENT (SECTION 226.1(b))

The Administrator of the National Credit Union Administration is responsible for enforcement of Regulation Z among Federal credit unions.

Insert Furnished Pamphlet - Regulation Z, pamphlet - Truth In Lending here

BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM

TRUTH IN LENDING

REGULATION Z

(12 CFR 226)
Effective July 1, 1969

Amended to March 23, 1977

Appendix B

BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM

SUPPLEMENT I to REGULATION Z

TRUTH IN LENDING

SUPPLEMENT I TO REGULATION Z

TRUTH IN LENDING

(Section 226.5 - Supplement)

General rule and equations for determining the annual percentage rate pursuant to paragraph (b) of § 226.5

(a) General rule--other credit. The annual percentage rate shall be that nominal annual percentage rate determined by multiplying the unit-period rate by the number of unit-periods in a year and shall be computed so that it may be disclosed with an accuracy at least to the nearest quarter of 1 per cent. The unit-period rate shall be determined as that percentage rate which will yield a sum equal to the amount of the finance charge when it is applied in accordance with the actuarial method under which payments made on a debt are allocated between the amount of the finance charge and the amount financed, so that each payment is applied first to the accumulated finance charge and any remainder is subtracted from, or any deficiency is added to, the unpaid balance of the amount financed.

(b) Unit-period. For the purposes of determining the unit-period, all calendar months may be considered as equal periods and the following shall be applicable:

(1) The term of the transaction commences on the date of its consummation, except that if the finance charge begins to accrue on any other date, the term of the transaction shall be considered as beginning on the date the finance charge begins to accrue and ending on the date the last payment is due.

(2) Periods are the intervals of time between advances or between payments and include the interval of time between the date the finance charge begins to accrue and the date of the first advance thereafter or the date of the first payment thereafter, as applicable.

(3) A common period shall be any period which occurs more than once in a transaction.

(4) The unit-period shall be that common period, not to exceed 1 year, which occurs most frequently in the transaction; except that

(i) If two or more common periods occur with equal frequency, the smaller of such common periods shall be the unit-period; or

(ii) If there is no common period in the transaction, the unit-period shall be that period which is the average of all periods rounded to the nearest whole standard interval of time. If the average is equally near two standard intervals of time, the lower shall be the unit-period. For the purpose of this subparagraph, a standard interval of time shall be a day, week, biweek, semimonth, month, or a multiple of a month up to, but not to exceed 1 year.

(5) The unit-period in a single advance single payment transaction shall be the term of the transaction, but not to exceed 1 year.

(c) Percentage rate for a fraction of a unit-period. The percentage rate of finance charge for a fraction (less than 1) of a unit-period shall, at the option of the creditor, be either

(1) The corresponding fraction of the percentage rate of finance charge per unit-period, or

(2) The corresponding actuarially equivalent fraction of the percentage rate of financed charge per unit-period.

(d) Symbols. The symbols used to express the terms of a transaction in the equations set forth in paragraph (e) are defined as follows:

U_k = The amount of credit advanced directly or indirectly at the end of the kth period.

q_k = The number of unit-periods from the date of consummation or the date the finance charge begins to accrue, as applicable, to the kth advance.

m = The number of advances to be made by the creditor.

P_j = The amount of the payment to be made at the end of the jth period.

t_j = The number of unit-periods from the date the finance charge begins to accrue to the jth payment.

n = The number of payments.

w = The number of unit-periods in a year.

i = The percentage rate of finance charge per unit-period.

R = The nominal annual percentage rate expressed as a decimal number which shall be converted into a percentage rate by moving the decimal point two places to the right.

(e) General equations. (1) The following equation sets forth the relationship among the terms of a transaction:

$$\frac{U_1}{(1+i)^{q_1}} + \frac{U_2}{(1+i)^{q_2}} + \dots + \frac{U_m}{(1+i)^{q_m}} = \frac{P_1}{(1+i)^{t_1}} + \frac{P_2}{(1+i)^{t_2}} + \dots + \frac{P_n}{(1+i)^{t}}$$

(2) The following equation applies in converting the percentage rate of finance charge per unit-period to a nominal annual percentage rate:

$$R = wi$$

(f) Adaptation of general equations. The general equations set forth in paragraph (e) of this section shall be adapted as follows:

(1) Transactions involving a single advance. (i) Payments at equal periods in equal amounts:

Assume creditor advances $1,000, and customer is to make 24 equal monthly payments of $47.50 starting 1 month from date of consummation.

Unit-period is 1 month.

$U_1 = \$1,000$ $q_1 = 0$

$P_1 = \$47.50$ $t_1 = 1$

$P_2 = \$47.50$ $t_2 = 2$

. . . . . .

$P_{24} = \$47.50$ $t_{24} = 24$

The equations are adapted as follows:

$$1,000 = +\frac{47.50}{(1+i)^1} + \frac{47.50}{(1+i)^2} + \dots + \frac{47.50}{(1+i)^{24}}$$

$w = 12.$

$i = 0.01076.$

$R = wi = 12 \times 0.01076 = 0.1291$ or 12.91%.

(ii) Payments at equal periods in unequal amounts:

Assume creditor advances \$1,000, and customer is to make 3 payments of \$200 each at the end of the third, sixth, and ninth months and a \$600 payment at the end of 1 year from the date of consummation.

Unit-period is 3 months.

$U_1 = \$1,000$ $\quad q_1 = 0$

$P_1 = \$200$ $\quad t_1 = 1$

$P_2 = \$200$ $\quad t_2 = 2$

$P_3 = \$200$ $\quad t_3 = 3$

$P_4 = \$600$ $\quad t_4 = 4$

The equations are adapted as follows:

$$1,000 = \frac{200}{(1+i)^1} + \frac{200}{(1+i)^2} + \frac{200}{(1+i)^3} + \frac{600}{(1+i)^4}$$

$w = 4.$

$i = .06357.$

$R = wi = 4 \times 0.06357 = 0.2543$ or 25.43%.

(iii) Payments at unequal periods in equal amounts:

Assume creditor advances \$1,000, customer is to make 4 payments of \$290 each at the end of second, sixth, eighth and twelfth months after consummation.

Unit-period is two months.

$U_1 = \$1,000$ $q_1 = 0$

$P_1 = \$290$ $t_1 = 1$

$P_2 = \$290$ $t_2 = 3$

$P_3 = \$290$ $t_3 = 4$

$P_4 = \$290$ $t_4 = 6$

The equations are adapted as follows:

$$1,000 = \frac{290}{(1+i)^1} + \frac{290}{(1+i)^3} + \frac{290}{(1+i)^4} + \frac{290}{(1+i)^6}$$

$w = 6.$

$i = 0.04422.$

$R = wi = 6 \times 0.04422 = 0.2653$ or 26.53%.

(iv) Payments at unequal periods in unequal amounts:

Assume creditor advances $1,000, and customer is to make payments as follows: $200 at end of second month, $300 at end of fifth month, $350 at end of eighth month and $300 at end of twelfth month. Unit-period is 3 months.

$U_1 = \$1,000$ $q_1 = 0$

$P_1 = \$200$ $t_1 = 2/3$

$P_2 = \$300$ $t_2 = 1\text{-}2/3$

$P_3 = \$350$ $t_3 = 2\text{-}2/3$

$P_4 = \$300$ $t_4 = 4$

The equations are adapted as follows:

$$1,000 = \frac{200}{(1+i)^{2/3}} + \frac{300}{(1+i)^{1-2/3}} + \frac{350}{(1+i)^{2-2/3*}} + \frac{300}{(1+i)^4}$$

---

* Computed as $(1+i)^2 \times (1+2/3i)$ in accordance with subparagraph (c)(1).

$w = 4.$

$i = 0.06064.$

$R = wi = 4 \times 0.06064 = 0.2426$ or 24.26%.

(v) Payment periods greater than 1 year:

Assume creditor advances $1,000, and customer is to make 2 payments of $550 each at the end of the eighteenth and thirty-sixth months from the date of consummation.

Unit-period is 1 year.

$U_1 = \$1,000$ $q_1 = 0$

$P_1 = \$550$ $t_1 = 1\text{-}1/2$

$P_2 = \$550$ $t_2 = 3$

The equations are adapted as follows:

$$1,000 = \frac{550}{(1+i)^{1\text{-}1/2}} + \frac{550}{(1+i)^{3}}$$

$w = 1.$

$i = 0.04335.$

$R = wi = 1 \times 0.04335 = 0.04335$ or 4.34%.

(vi) Single payment with maturity of 12 months or less:

Assume creditor advances $1,000, and customer agrees to make a single payment of $1,100 eight months from the date of consummation. Unit-period is 8 months.

$U = \$1,000$ $P = \$1,100$

The equations are adapted as follows:

$$1,000 = \frac{1100}{(1+i)}$$

$w = 1\text{-}1/2$

$i = 0.10000$

$R = wi = 1\text{-}1/2 \times 0.10000 = 0.1500$ or 15.00%.

(vii) Single payment with maturity of more than 12 months.

Assume creditor advances $1,000, and customer is to make 1 payment of $1,212.42 seventeen months from date of consummation.

Unit-period is 1 year.

$U = \$1,000$ $P = \$1,212.42$

The equations are adapted as follows:

$$1,000 = \frac{1,212.42}{(1+i)^{1\text{-}5/12}}$$

$w = 1.$

$i = 0.14386.$

$R = wi = 1 \times 0.14386 = 0.14386$ or 14.39%.

(2) Transaction involving multiple advances.

Assume a college loan in which a creditor is to make 8 advances to the customer: $1,800 each September 1 for 4 years and $1,000 each January 1 for 4 years. The customer is to make 50 regular equal monthly payments of $240 beginning July 1, prior to the first advance in September. Unit-period is 1 month.

$U_1 = \$1,800$ $q_1 = 2$

$U_2 = \$1,000$ $q_2 = 6$

$U_3 = \$1,800$ $q_3 = 14$

$U_4 = \$1,000$ $q_4 = 18$

$U_5 = \$1,800$ $q_5 = 26$

$U_6 = \$1,000$ $q_6 = 30$

$U_7 = \$1,800$ $q_7 = 38$

$U_8 = \$1,000$ $q_8 = 42$

$P_1 = \$240$ $t_1 = 0$

$P_2 = \$240$ $t_2 = 1$

$P_3 = \$240$ $t_3 = 2$

. . . . . .

$P_{50} = \$240$ $t_{50} = 49$

The equations are adapted as follows:

$$\frac{1,800}{(1+i)^2} + \frac{1,000}{(1+i)^6} + \frac{1,800}{(1+i)^{14}} + \frac{1,000}{(1+i)^{18}} + \frac{1,800}{(1+i)^{26}} +$$

$$\frac{1,000}{(1+i)^{30}} + \frac{1,800}{(1+i)^{38}} + \frac{1,000}{(1+i)^{42}} = 240 + \frac{240}{(1+i)^1} +$$

$$\frac{240}{(1+i)^2} + \dots + \frac{240}{(1+i)^{49}}$$

$w = 12.$

$i = 0.02522.$

$R = wi = 12 \times 0.02522 = 0.3026$ or 30.26%.

In case multiple real values of R are obtained, use that value of R which is nearest to the value of R obtained by assuming that the number of unit-periods from the date of consummation or the date the finance charge begins to accrue, as applicable, to each advance is:

$$\frac{U_1 q_1 + U_2 q_2 + \ldots + U_m q_m}{U_1 + U_2 + \ldots + U_m}$$

(3) Transactions involving required deposit balances. (i) Required constant deposit balance.

Assume creditor advances $1,000 and requires that the customer maintain a deposit balance of $200 during the 12-month loan. The customer is to make 12 equal monthly payments of $90 starting 1 month from date of consummation. The deposit balance will be released to the customer upon final payment of the advance.

Unit-period is 1 month.

$U_1 = \$800$ $q_1 = 0$

$U_2 = \$200$ $q_2 = 12$

$P_1 = \$90$ $t_1 = 1$

$P_2 = \$90$ $t_2 = 2$

. . . . . .

$P_{12} = \$90$ $t_{12} = 12$

The equations are adapted as follows:

$$800 + \frac{200}{(1+i)^{12}} = \frac{90}{(1+i)^1} + \frac{90}{(1+i)^2} + \dots + \frac{90}{(1+i)^{12}}$$

$w = 12.$

$i = 0.01852.$

$R = wi = 12 \times 0.01852 = 0.2222$ or 22.22%.

(ii) **Required variable deposit balance.**

Assume creditor advances $5,000 and requires a $1,000 deposit balance which is to be released in amounts of $500 per quarter beginning at the end of the first quarter immediately following consummation. Customer is to make 6 equal monthly payments of $900 beginning 1 month following consummation.

Unit-period is 1 month.

$U_1 = \$4,000$ $\quad q_1 = 0$
$U_2 = \$500$ $\quad q_2 = 3$
$U_3 = \$500$ $\quad q_3 = 6$
$P_1 = \$900$ $\quad t_1 = 1$
$P_2 = \$900$ $\quad t_2 = 2$
. . . $\quad$ . . .
$P_6 = \$900$ $\quad t_6 = 6$

The equations are adapted as follows:

$$4,000 + \frac{500}{(1+i)^3} + \frac{500}{(1+i)^6} = \frac{900}{(1+i)^1} + \frac{900}{(1+i)^2} + \dots + \frac{900}{(1+i)^6}$$

$w = 12.$

$i = 0.02993.$

$R = wi = 12 \times 0.02933 = 0.3592$ or 35.92%.

(iii) Transaction where customer is required to make periodic deposits into a restricted account.

Assume creditor advances \$1,000, and customer is to make 12 equal monthly payments of \$110, \$90 of which is to be applied to repayment of the advance and the finance charge and \$20 of which is to be deposited into an account. The account will be released to the customer upon final payment of the advance.

Unit-period is 1 month.

$U_1 = \$1,000$ $\quad q_1 = 0$
$U_2 = \$240$ $\quad q_2 = 12$
$P_1 = \$110$ $\quad t_1 = 1$
$P_2 = \$110$ $\quad t_2 = 2$
$\cdots$ $\quad \cdots$
$P_{12} = \$110$ $\quad t_{12} = 12$

The equations are adapted as follows:

$$1,000 + \frac{240}{(1+i)^{12}} = \frac{110}{(1+i)^{1}} + \frac{110}{(1+i)^{2}} + \ldots + \frac{110}{(1+i)^{12}}$$

$w = 12.$

$i = 0.01482.$

$R = wi = 12 \times 0.01482 = 0.1778$ or 17.78%.

PART 2

EQUAL CREDIT OPPORTUNITY ACT— REGULATION B

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Appendix A—Regulation B Pamphlet

PART 2

EQUAL CREDIT OPPORTUNITY ACT— REGULATION B

A. WHAT DOES REGULATION B SAY?

The Equal Credit Opportunity Act and Regulation B prohibit discrimination with respect to any credit (loan) transaction on the basis of sex, marital status, race, color, religion, national origin, age (provided the applicant is old enough and otherwise has the legal authority to enter into a binding contract), receipt of public assistance income, and the good faith exercise of rights under the Consumer Credit Protection Act (which includes Truth In Lending, Fair Credit Reporting, Fair Credit Billing, Equal Credit Opportunity). Prohibited discrimination is defined as treating one applicant or group of applicants less favorably than others on a prohibited basis.

The Regulation applies to all lenders (including credit unions) and to all loan applicants and prospective loan applicants. It applies to every aspect of a loan applicant's dealing with a lender, including advertising and furnishing credit information. It also applies to *all* types of credit union lending, regardless of purpose. It is important to remember that Regulation B *does not* prevent a creditor from determining any pertinent information necessary to evaluate the creditworthiness of an applicant.

The following discussion is intended to acquaint you with Regulation B as it pertains to credit unions.

B. YOU MAY NOT DISCOURAGE APPLICATIONS (SECTION 202.5(a))

Regulation B's concern with the application process starts before the application is even taken. Credit committee members, loan officers and any other individuals involved in taking loan applications from members must be aware of the provisions of the Regulation and must take no action that would, on a prohibited basis, discourage anyone from applying for a loan. This prohibition against discouraging applicants applies to written, oral and telephone inquiries as well as personal contacts. In addition, advertising must not have the effect of discouraging an applicant on a prohibited basis.

C. WHAT CAN BE REQUESTED ON AN APPLICATION OR WHEN TAKING AN APPLICATION?

1. WHEN CAN YOU ASK AN APPLICANT'S MARITAL STATUS?

i. Individual Credit (Section 202.5(d)(1))

Generally, when a member applies for an individual loan and relies on his or her own creditworthiness, a credit union cannot ask the member's marital status.

There are two exceptions to the rule:

(1) If the loan is to be secured, you may ask the member's marital status. For the purpose of asking marital status, the signature of a comaker does not create a secured loan, even though it is considered security by the Federal Credit Union Act. The safest course, therefore, unless a borrower and comaker have jointly requested a loan, is not to request marital status unless something other than a comaker is offered as security.

(2) If the member lives in (or uses assets to secure the loan which are located in) a community property state, you may ask marital status. The following are community property states: Texas, Louisiana, Idaho, New Mexico, Arizona, Washington, Nevada and California.

ii. Joint Credit (Section 202.5(d)(1))

Whenever a secured or unsecured loan is requested jointly by 2 or more members you can ask the member's marital status.

iii. Permitted "Marital Status" Titles (Section 202.5(d)(1))

When marital status can be requested, only the terms "married," "unmarried," and "separated" can be used. The term "unmarried" includes divorced, widowed or single. A credit union can, however, ask questions regarding an applicant's creditworthiness which may indirectly disclose marital status. For example, a credit union can always ask whether the applicant is obligated to *pay* alimony or child support or maintenance payments.

2. WHEN CAN YOU ASK INFORMATION ABOUT AN APPLICANT'S SPOUSE OR FORMER SPOUSE? (SECTION 202.5(c)(1) and (2))

A credit union cannot ask information about the applicant's spouse or former spouse unless *one* of the following conditions exist:

(a) The spouse will be an authorized user of, or contractually liable for the loan. (The term "user" applies only to open-end accounts.)

(b) The applicant is relying on a spouse's income to repay the loan.

(c) The applicant resides in a community property state or relies on property located in a community property state as a basis for repaying the loan.

(d) The applicant is relying on alimony, child support or maintenance payments to repay the loan. (See paragraph 3 below.)

A credit union's loan application forms must not request information about the applicant's spouse or former spouse unless the forms disclose that such information is not required unless one of the above conditions exists.

3. RULES REGARDING REVEALING ALIMONY, CHILD SUPPORT AND MAINTENANCE INCOME (SECTION 202.5(d)(2))

A loan applicant does not have to reveal income received from alimony, child support or maintenance payments unless the applicant wishes to rely on this income to establish creditworthiness. Therefore, credit unions that specifically ask about such income or ask applicants to list source of income must first inform the applicant that the information concerning alimony, child support and maintenance only has to be revealed if the applicant wishes to rely on that income to establish creditworthiness. It is recommended, therefore, that the notice always be included when a general inquiry regarding other income is made.

Questions often arise concerning applications which simply request "Other Income". Generally, if the space provided is of sufficient length to allow the applicant to record the amount and source, the notice referred to above should accompany the request. However, if the space provided is only sufficient length to allow recording the amount of the other income, the notice would not appear to be necessary. Remember, too, you can always ask if an applicant is obligated to make alimony, child support or maintenance payments.

4. AN APPLICANT'S CHILDBEARING INTENTIONS OR CAPABILITY CANNOT BE REQUESTED (SECTION 202.5(d)(4))

A credit union cannot, under any circumstances, request information about an applicant's birth control practices or childbearing intentions or capability, nor can it make any assumptions regarding such matters. The credit union can request information concerning the continued ability to repay the loan, such as the probability that the income or source of income (employment) will continue. However, such requests must be made of all applicants who are similarly qualified and without regard to any prohibited basis.

5. REQUESTING INFORMATION ABOUT DEPENDENTS (SECTION 202.5(d)(4))

The number, ages and expenses of present dependents can be requested if done without regard to any prohibited basis.

6. REQUESTING INFORMATION ABOUT AN APPLICANT'S LIABILITIES (SECTION 202.5(c)(3))

A credit union can request a list of all accounts upon which the applicant is liable, the name and address in which the accounts are carried, and any other names previously used by the applicant to obtain credit.

7. REQUESTING COURTESY TITLES (SECTION 202.5(d)(3))

Credit union application forms must use information that is neutral as to sex. Courtesy titles which indicate sex (i.e., Mr., Mrs., Miss) can be requested, but only if the application contains a statement (located adjacent to the requested information) which indicates that providing such information is optional.

8. OTHER INFORMATION WHICH CAN OR CANNOT BE REQUESTED (SECTIONS 202.5(d)(3) and (5))

Credit unions cannot request an applicant's sex, race, color, religion or national origin, unless done under the provisions of Section 226.5(b) or 226.13.

Credit unions can, however, request an applicant's permanent residence and immigration status in order to determine creditworthiness.

9. SPECIAL RULES REGARDING REAL ESTATE LOANS (SECTION 202.5(b) AND 202.13)

Credit unions *must* request and maintain records outlining the following information regarding written applications for a loan secured by "residential real property" (See 202.13(a)(2) for definition):

- Race, national origin, using these categories: American Indian or Alaskan Native, Asian or Pacific Islander, Black, White, Hispanic, Other (Specify);
- —Sex
- —Marital status using the categories married, unmarried, and separated; and
- —Age

The information may be requested on the application form or on a separate sheet of paper referring to the application. The applicant and any joint applicants *must be* informed that the disclosure of such information is optional and that the information is requested by the Federal Government for monitoring compliance with Federal law prohibiting discrimination on those bases. If the applicant refuses to supply the requested information, that fact must be noted on the form containing the request.

D. WHAT INFORMATION CAN BE CONSIDERED WHEN EVALUATING LOAN APPLICATIONS? (SECTION 202.6)

Except as allowed in the Equal Credit Opportunity Act or Regulation B (as summarized below) a prohibited basis may not be considered in evaluating a loan application nor may any information be used to discriminate on a prohibited basis. Otherwise, a credit union may consider any information which the Regulation permits it to obtain. Section 202.6 does, however, establish certain specific rules concerning the use of such information.

1. CONSIDERATION OF AGE AND PUBLIC ASSISTANCE (SECTION 202.6(b)(2))

When evaluating loan applications, you may not consider the age of the applicant or the fact that the applicant has received public assistance (e.g., welfare), except under the following circumstances:

(a) If your credit union uses a statistically developed credit scoring system that meets the standards of Section 202.2(p)(2) of Regulation B, you may consider age in that system, subject to certain limitations. (See Section 202.6(b)(2)(ii).)

(b) In any other system of evaluation, you may consider age or receipt of public assistance only in determining a "pertinent element of creditworthiness". (See Section 202.6(b)(iii).) This means, for example, that concerning age, you may consider life expectancy, or length of time until retirement, in determining whether the applicant's income and any security offered will support the requested loan until its maturity. Further, as to young applicants, you may also consider whether the applicant is old enough to enter a legally binding contract. See footnote 9 to Section 202.6(b)(iii) for additional examples of permissible considerations.

(c) In any system of establishing creditworthiness, the age of an applicant 62 years of age or older can be considered *if used favorably.*

2. CHILDBEARING CONSIDERATIONS AND ASSUMPTIONS (SECTION 202.6(b)(3))

In the past many credit evaluation policies have considered assumptions concerning an applicant's probability or capability of having or raising children. For example, often if a young couple requested a loan one of the major considerations was their plans regarding children. Regulation B now absolutely prohibits making such inquiries or assumptions. You can, of course, request how long the income being used to establish creditworthiness is expected to continue. Also, you can request the number of ages of dependents that the applicant has and any related expenditures.

3. CONSIDERATION OF INCOME (SECTION 202.6(b)(5))

You may not discount or fail to consider the income of an applicant or spouse on a prohibited basis (for instance, just because it is the wife's income) or because it is parttime. In addition, income from annuity, pension or retirement benefits must not be discounted. However, you *can* consider the amount and probable continuity of *any* income when determining an applicant's creditworthiness.

If being relied upon for determination of creditworthiness, you must consider alimony, child support and separate maintenance income to the extent that the payments are likely to continue.

Methods for determining the likelihood that such income will continue include, but are not limited to, the following:

(a) Whether the payments were provided by oral or written agreement, or by court order;

(b) The length of time the payments have been made;

(c) Whether the receipt of payments has been recent and regular;

(d) The creditworthiness and credit history of the payor, where available in accordance with the Fair Credit Reporting Act.

4. CONSIDERING CREDIT HISTORY (SECTION 202.6(b)(6))

To the extent that a credit union considers credit history in evaluating similiarly qualified applicants for similar types and amounts of credit, the following must be taken into consideration (when made available to the creditor) in evaluating an applicant's creditworthiness:

(a) The credit history of any "account" (defined as any extension of credit) which *both* the applicant and a spouse are authorized to use or for which both are contractually liable,

(b) At the applicant's request any information, if provided by the applicant, which indicates that the credit history being considered does not accurately reflect the applicant's ability or willingess to repay *and*

(c) Upon the applicant's request, the credit history of an account of the applicant's spouse or former spouse which the applicant can adequately demonstrate reflects the applicant's willingness or ability to repay.

5. CONSIDERING TELEPHONE LISTING (SECTION 202.6(b)(4))

The fact that an applicant for consumer credit (See Section 202.2(h)) does not have a telephone listing in his/her name *cannot* be considered. You *can*, however, consider whether the applicant has a telephone in his/her home.

6. THE EFFECTS TEST (SECTION 202.6(a) AND FOOTNOTE 7)

In addition to the preceding specific rules for evaluating applications, all credit practices may be subject to a set of legal procedures known as the "effects test". Basically, the effects test provides that regardless of a creditor's intent, if a practice has the *effect* of discriminating against a protected class of applicants, then a violation of the Act may have occurred. For example, a policy of never extending credit to persons with criminal records or without high school diplomas might be deemed to discriminate against a particular group of applicants protected under this law because it would affect them more frequently than another group. Similarly, a requirement that applicants have unreasonably extensive credit histories in order to receive credit may be illegal discrimination because of its unequal effect upon married women.

The burden then falls upon the credit union to show that its practice is clearly related to creditworthiness and its loss experience. The credit union might still have a burden of proof, however, if the plaintiff then countered with the assertion that there was an equally effective, but non-discriminatory way of accomplishing the same thing.

Therefore, after you have assured yourself that none of the information which your credit union obtains and considers about its loan applicants is prohibited by Regulation B, you should next very carefully consider whether the application of your credit union's policies could have the effect of causing prohibited discrimination. If so, look for better ways of ascertaining creditworthiness.

7. STATE PROPERTY LAWS (SECTION 202.6(c))

Taking into consideration State property laws which affect creditworthiness does not violate Regulation B.

E. RULES CONCERNING MAKING LOANS (SECTION 202.7)

1. INDIVIDUAL LOANS (SECTION 202.7(a))

You may *not* refuse to grant an individual (separate) loan to a person on the basis of that person's sex or marital status (or any other prohibited basis) but you may ask whether it is the applicant's intent to request individual or joint credit.

2. DESIGNATION OF NAME (SECTION 202.7(b))

You cannot refuse to allow the applicant to open or maintain a loan account in a birth-given first name and either a birth-given surname, spouse's surname, or combined surname. For example, Mary Smith is married to John Jones. She may open an account in any of five different names: Mary Smith, Mary Jones, Mary Smith-Jones, Mary Jones-Smith, or Mrs. John Jones. However, the credit union may require that the applicant use one name consistently when doing business with it. In addition, the credit union may inquire whether the applicant has obtained credit in another name or is liable for accounts listed in another name in order to determine the entire credit history of the applicant.

3. ACTION CONCERNING EXISTING OPEN-END ACCOUNTS (SECTION 202.7(c))

With respect to *existing open-end accounts*, a credit union may *not* require a reapplication, change the terms of the account, or terminate the account on the basis of age, retirement, or a change in the applicant's name or marital status, unless there is evidence of inability or unwillingness to repay. A denial of liability on the account by any one of the joint borrowers, for instance, can be determined as an unfavorable change in creditworthiness due to the unwillingness to repay. For example, Where an open-end loan was granted on the basis of a divorced spouse's income and the applicant's income at the time of the credit extension would not support the credit request, the credit union could require a reapplication upon a change in the applicant's marital status.

4. REQUESTING A SECOND SIGNATURE, INCLUDING SPOUSE (SECTION 202.7(d))

As a general rule, a credit union may not require the spouse or any other person who is not a joint applicant to cosign or guarantee the note if the applicant is creditworthy. There are some exceptions to this rule:

(a) A credit union may always request a cosigner or guarantor on the extension of credit, if the applicant does not meet the credit union's creditworthiness standard for a separate loan. However, the request must be made without regard to sex or marital status and must be required of all similarly qualified applicants applying for a similar type and amount of credit. Whenever a cosigner or guarantor is requested by the credit union or offered by the applicant the choice of such a second party must be left to the applicant. The credit union must not require that it be (or not be) the applicant's spouse, but the cosigner offered must meet the credit union's standard of creditworthiness. Further, the credit union may not impose requirements upon a cosigner that it is prohibited from imposing on the applicant.

(b) If an individual applies for a loan and is relying on the income of another person, you may require the signature of that other person to make the income available to pay the debt.

(c) If the credit is to be unsecured and the applicant relies in part upon his/her interest in property to meet the credit union's standards of creditworthiness, the credit union may consider the effect of State law, how the property is owned, and other factors which may affect the applicant's interest in the property. If it is insufficient to establish creditworthiness, the credit union can require the spouse or other joint owner to sign any instrument necessary, under applicable State law, to allow the credit union to gain control of sufficient property to satisfy the debt in the event of default.

(d) If the credit is to be unsecured and the applicant is married and resides in a community property state (or the property supporting the debt is located in such a State), the credit union *can* require the spouse's signature on those instruments necessary to make the community property available to the credit union in the event of default. The credit union may *not* require the spouse's signature, however, if the applicant can manage or control sufficient community property to establish creditworthiness or if the applicant has sufficient separate property to qualify without utilizing community property.

(e) If the loan is to be secured by collateral, the credit union may require the signature of the applicant's spouse or other joint owner of assets on *any instrument necessary, or reasonably believed to be necessary*, under applicable State law to allow the credit union to gain control of the applicant's interest in assets in the event of default. These instruments may include any instrument necessary to create a valid lien, pass clear title, waive inchoate rights, or assign earnings.

(f) If the entire value of an asset is necessary to qualify for a particular request for secured credit, the credit union may require the signature of the applicant's spouse or other joint owner of assets available to satisfy the debt in the event of default. Or, if the debt is secured by real property and State law requires that all owners sign the mortgage to create a valid lien, the credit union can require a spouse or other joint owner to sign the mortgage.

If the applicant qualifies for credit without listing assets, the credit union may not request such a listing in order to obtain the spouse's signature.

5. SECOND SIGNATURE—ON WHAT DOCUMENT?

Concerning instances where the spouse or another individual's signature may be required, you should note that the signature requirement must be imposed in a minimally discriminatory manner. For example, if the spouse's signature on a waiver document, or security agreement (in cases of secured credit) is sufficient, you may not require the spouse's signature on the note or loan contract. (If your credit union uses a combined note/security agreement form, the spouse should, in this example, sign the security portion *only*.)

6. CREDIT INSURANCE (SECTION 202.7(e))

When a credit union makes casualty, credit life, health, accident, or disability insurance available in connection with extending credit, differences in cost, terms, or availability of the insurance will not constitute violations of this Regulation. For example, if a credit union's group insurance carrier will not provide credit life (loan protection) insurance coverage for a particular member because of age, this does not render the credit union guilty of prohibited age discrimination. The credit union may *not deny* (or terminate) *credit* merely because such insurance is unavailable due to the applicant's age, but *it may* vary the terms of the credit because of the unavailability of such insurance. For instance, additional security or shorter terms may be required. When insurance is desired by the applicant, information regarding the applicant's age, sex or marital status may be requested for the purpose of obtaining insurance.

F. RULES CONCERNING NOTIFICATION (SECTION 202.9)

1. WHEN MUST NOTIFICATION OF ACTION TAKEN BE GIVEN? (SECTION 202.9(a)(1))

Your credit union must notify each loan applicant of the action taken (approval, disapproval or counter-offer) within 30 days after receipt of his/her completed application. If the request is approved, the notification requirements are satisfied by making the proceeds of the loan available to the member. However, whenever adverse action is taken, the formal notification procedures (which are discussed later in this section) must be followed.

Notification takes place when your credit union delivers the required information to the applicant or mails it to his/her last known address.

Whenever adverse action is taken on an uncompleted application or on an existing account, the applicant must be notified of the adverse action *within 30 days after the action is taken.*

Finally, whenever your credit union offers credit to an applicant in terms other than those requested or substantially similar to the ones requested, it must notify the applicant of the adverse action *within 90 days after he/she has been notified* of the other terms (or counter-offer), *unless* the applicant has accepted the counter-offer.

2. WHAT IS AN ADVERSE ACTION? (SECTION 202.2(c))

Section 202.2(c) provides a detailed definition of what does and does not constitute an adverse action. In general:

An adverse action has occurred if

- You refuse to grant credit in an amount or on terms acceptable to the applicant (whether or not the application was actually completed),
- You terminate or make an unfavorable change in the terms of a loan account (unless a substantial portion of your accounts are affected the same way), or
- You refuse to approve an applicant's request to increase his/her credit limit and the request was made in accordance with the appropriate credit union procedures.

An adverse action has not occurred if

- The applicant accepts your counter offer,
- Your unfavorable action was due to the applicant's inactivity, default or delinquency,
- Your unfavorable action was due to the fact that your credit union does not offer the *type* of credit (as opposed to amount or terms) being requested,
- You were not made aware of the applicant's desire to increase his/her limit (as in refusing to authorize a point of sale transaction exceeding a previously established limit), or
- You cancel an approved loan because the applicant failed to complete the loan transaction within 30 days of applying.

Obviously, then, adverse actions are nothing new to credit unions, nor are they prohibited. They do have new visability, however, and must not in fact be based upon any prohibited basis of discrimination, or the credit union will be subject to penalties and/or enforcement actions. Therefore, it is important for each credit union to review its practices to make certain that its reasons for taking adverse actions are honestly and accurately stated, and not veiled in generalities, and do not reflect any form of prohibited discrimination. In other words, reasons for denial shown on the applications or credit committee minutes should reflect why the applicant was not considered to be creditworthy.

3. WHAT MUST THE APPLICANT RECEIVE WHEN AN ADVERSE ACTION IS TAKEN? (SECTION 202.9(b))

Whenever an adverse action is taken by your credit union, you must provide the applicant with a notification containing the following:

i. A statement of the action taken,

ii. An ECOA Notice substantially similar to the one contained in section 202.9(b)(1), *and*

iii. A statement citing: the specific reasons(s) for the adverse action,

or

the applicant's right to a statement of the reason(s) within 30 days after the credit union receives a request.

Federal credit unions which received fewer than 150 loan applications or requests for loan advances during the preceding calendar year may make the required notifications orally. *It is recommended, however, that every credit union provide the required disclosures, including the reasons for the adverse action, in writing.*

4. CONTENT OF THE ECOA NOTICE (SECTION 202.9(b)(1))

The format of the ECOA Notice is at Section 202.9(b)(1). The Notice must contain the address of NCUA's Regional Office serving the area in which your credit union is located.

5. STATEMENT OF REASONS (SECTION 202.9(b)(2))

A suggested format for the statement of specific reasons is contained on page 15 of the Appendix. Note that it includes a section for complying with the requirements of the Fair Credit Reporting Act. If you wish to develop your own statement you should be aware of the comments in Sections 202.9(b)(2) and (3).

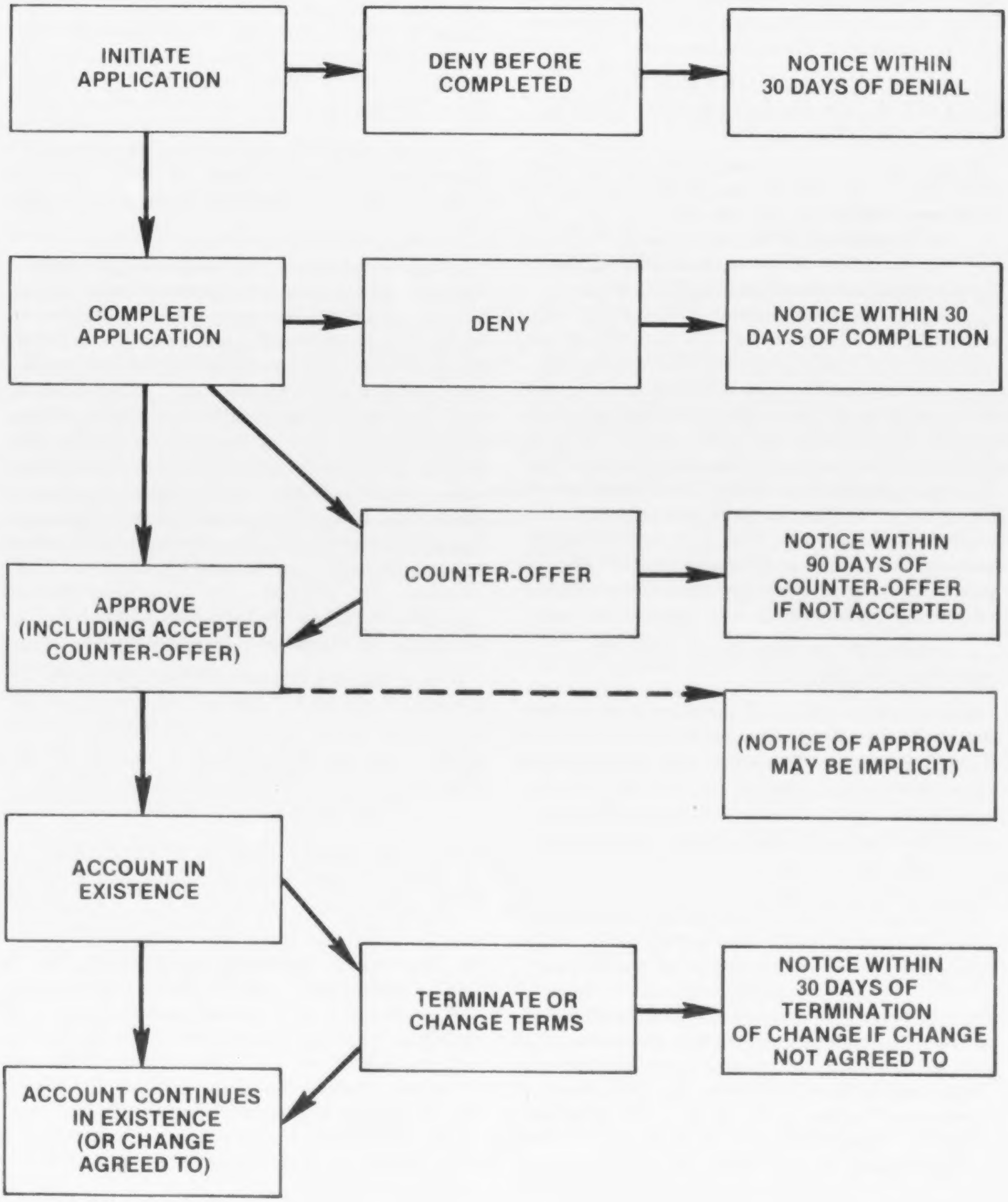
6. WHO MUST RECEIVE AND WHO MUST PROVIDE THE REQUIRED NOTIFICATIONS? (SECTIONS 202.9(a)(3) AND (4))

In the case of two or more applicants, the notifications only have to be given to one of the primarily liable applicants. When more than one creditor is involved in the transaction, and the credit is denied or the counter-offer is not accepted by the applicant, each creditor who takes such adverse action must give the required notification. This notification may be provided by the creditor or indirectly through a third party *if* the identity of the creditor taking the action is given. The credit union remains responsible, however, for seeing that all information is given accurately and within required time limits to the party providing the notification.

7. WHAT TO DO IF YOU RECEIVE AN APPLICATION FROM A NONMEMBER

If an application is received from a person who is not within your field of membership, it would not be an adverse action (nor would notification be required) if you refused to accept or approve the application.

8. ILLUSTRATION OF THE ADVERSE ACTION NOTIFICATION PROCEDURES


INITIATE APPLICATION
DENY BEFORE COMPLETED
NOTICE WITHIN 30 DAYS OF DENIAL
COMPLETE APPLICATION
DENY
NOTICE WITHIN 30 DAYS OF COMPLETION
COUNTER-OFFER
NOTICE WITHIN 90 DAYS OF COUNTER-OFFER IF NOT ACCEPTED
APPROVE (INCLUDING ACCEPTED COUNTER-OFFER)
(NOTICE OF APPROVAL MAY BE IMPLICIT)
ACCOUNT IN EXISTENCE
TERMINATE OR CHANGE TERMS
NOTICE WITHIN 30 DAYS OF TERMINATION OF CHANGE IF CHANGE NOT AGREED TO
ACCOUNT CONTINUES IN EXISTENCE (OR CHANGE AGREED TO)

G. FURNISHING CREDIT INFORMATION (SECTION 202.10)

1. GENERAL INFORMATION

This section of the regulation applies *only* to the accounts of married persons. It will affect your credit union *only if* you are currently providing any credit information (or ratings) to other parties (such as credit bureaus or other creditors) *or* if you do so in the future. The purpose of this section is to ensure that the credit histories of both the husband and wife are available and reported to other creditors or credit reporting agencies if both are or were authorized to use the same loan account or both are or were contractually liable for a loan.

2. ACCOUNTS ESTABLISHED ON OR AFTER JUNE 1, 1977 (SECTION 202.10(a))

For loans of each married person granted or established on or after June 1, 1977, you must:

(a) Determine whether both spouses are authorized to use (in the case of an open-end loan account) or will be contractually liable on the loan, and

(b) Designate the accounts to reflect participation of both spouses, when appropriate.

3. ACCOUNTS ESTABLISHED PRIOR TO JUNE 1, 1977 (SECTION 202.10(b))

For loans of each married person granted or established prior to (and in existence on) June 1, 1977, you must either:

(a) Determine by June 1, 1977, through a review of each loan account whether both spouses are authorized to use the loan account or are contractually liable, *and* designate it accordingly, or

(b) Mail or deliver before October 1, 1977, to all applicants (or to all married applicants or merely those loan accounts on which you have any questions about reporting) a copy of the Credit History for Married Persons. You will find the text of this notice and special instructions for its use contained in Section 202.10(b)(2).

4. REQUESTS TO CHANGE THE MANNER IN WHICH INFORMATION IS REPORTED (SECTION 202.10(c))

You have 90 days, after receipt of a request to change the name(s) under which you report credit information, to correct your records.

5. SHARING OR REPORTING CREDIT INFORMATION (SECTION 202.10(a)(3) AND (c))

If you report credit information on a bulk basis to a consumer reporting agency, you must furnish the information in a manner that will enable the agency to access the name of each spouse.

If you respond to individual inquiries from persons seeking credit information, you must be able to furnish information about an account in the name of either spouse if the account has been designated for joint use or liability. You may establish whatever system is simplest in achieving such access.

6. INADVERTENT ERRORS (SECTION 202.10(d))

An inadvertent error (See definition at 202.2(s)) resulting in failure to comply with the requirements for furnishing credit information *will not* be considered a violation of Regulation B *if* corrective action is taken immediately upon discovery of the error.

H. RETENTION OF RECORDS (SECTION 202.12)

1. RETENTION OF PROHIBITED INFORMATION (SECTION 202.12(a))

Retention of information in your credit union's loan files which the ECOA prohibits you from using when evaluating loan applications is not a violation of ECOA if it was obtained:

(a) prior to June 30, 1976 from any source if it relates to sex or marital status information,

(b) prior to March 23, 1977 from any source if it relates to information on any other prohibited basis,

(c) at any time if it is from a consumer reporting agency,

(d) at any time (from the applicant or anyone else) if it was not specifically requested by the credit union,

(e) at any time if such information is required to monitor compliance with ECOA (See Section 202.13), or

(f) as a part of the membership application if the information was needed in order to determine eligibility for membership.

2. PRESERVATION OF RECORDS (SECTION 202.12(b))

Your credit union must maintain a copy (see footnote 18 on page 18 of the Appendix) of each loan application and all related documents for at least *25 months* after the applicant has been notified of action taken (approval, rejection, etc). The required retention period was increased to 25 months because the statute of limitations in the Act was increased to permit civil suit to be brought any time within 2 years of the violation. Your credit union must also keep for a similar period a copy of any documents or notifications (given or received) relating to any adverse action. Of course, if your credit union were under investigation for any possible Regulation B violation, related documents should not be destroyed until permission has been given to do so, and in no case should loan documents be destroyed prior to repayment of the related loans.

(These retention requirements are compatible with those other regulations. Regulation Z requires preservation of evidence of compliance for not less than 2 years after the date disclosure is required to be made. RESPA in addition requires a copy of each settlement statement to be retained for 2 years where loans are subject to these requirements.)

I. USE OF MODEL APPLICATION FORMS (SECTION 202.5(e))

Five model application forms have been provided by the Federal Reserve Board. (They are illustrated in the Regulation B Pamphlet contained in the Appendix.) The forms are designated for use in (1) open end, unsecured credit, (2) closed end, secured credit, (3) closed end, unsecured/secured credit, (4) community property, and (5) residential real estate mortgage loans. Creditors are not required to use model forms. The forms are merely provided for those creditors who choose to use them. Regulation B does provide, however, that a creditor who properly uses the appropriate model forms will be deemed in compliance with the provisions of Regulation B concerning informational requests. The model forms are very detailed and are likely to request more information than you are accustomed to requesting of your loan applicants. You may therefore delete information requests from the model forms and still be deemed in compliance, provided that the revisions are in accordance with section 202.5(e). If you do not choose to adopt the model forms (either with or without acceptable revisions), they may still be helpful to your credit union or its attorney in devising acceptable forms, should reliable standard forms not be available.

Should you decide to use the model forms, the following revisions must be made:

(a) Section 114, of the Federal Credit Union Act requires that each loan made by Federal credit unions be approved by the credit committee or a loan officer. Therefore, the *model forms* must be revised to include an appropriate space for the credit committee or loan officer to indicate its action on the application.

(b) The "open end, unsecured credit" form must include a space for the amount of credit requested (or ceiling amount).

Also, credit unions should consider including on the model forms a reference to 18 U.S.C. 1014 which states that it is a Federal crime to knowingly give any false statement for the purpose of influencing the action of a Federal credit union or any other federally insured credit union on any application for a loan. Including such a statement will ensure that the applicant is aware of the possible circumstances of making a false statement.

J. USE OF OLD LOAN APPLICATION FORMS (SECTION 202.5(e), FOOTNOTE)

You may continue to use application forms which comply with the original Regulation B until March 23, 1978, or until present supplies are exhausted, *whichever occurs first.*

K. SPECIAL TREATMENT FOR CERTAIN TYPES OF LOANS (SECTION 202.3)

If your credit union makes loans for business purposes or certain other types of nonconsumer loans, those loans may be exempt from many procedural requirements of Regulation B. Section 202.3 of the regulation outlines the specific types of loans which may qualify for special treatment and the provisions of Regulation B which do not apply to those loans.

L. SPECIAL PURPOSE CREDIT PROGRAMS (SECTION 202.8)

This section of Regulation B does not appear to have specific applicability to most Federal credit unions. It does, however, offer potential protection to any credit union which declines to grant a loan to a person who is not in its field of membership. For instance, the asking and considering of information needed to establish whether an applicant is within the field of membership of a parish credit union is not unlawful discrimination, but credit union members are otherwise entitled to all of the rights and protection in the Regulation.

M. RELATION TO STATE LAW (SECTION 202.11)

1. INCONSISTENT STATE LAWS (SECTION 202.11(a)(b)(1) AND (2))

Any aspect of State law which is determined to be inconsistent with provisions of the Federal ECOA and Regulation B is preempted (i.e. your credit union need not comply with such a provision of the State law). A State law is never inconsistent, however, if it is more protective of an applicant. Section 202.11(b)(1) provides examples wherein State law will be considered inconsistent. Section 202.11(b)(2) establishes procedures for obtaining a formal ruling from the Federal Reserve Board on whether an aspect of State law is inconsistent. *Remember,* when a provision of State law *is not inconsistent* with Federal ECOA, Regulation B, or the FCU Act, your credit union *must comply* with that provision.

2. FINANCE CHARGES AND LOAN CEILINGS (SECTION 202.11(c))

Section 202.11(c) provides that loans of spouses may be combined for purposes of determining permissable finance charges or loan ceilings under either Federal or State law. Thus, if your credit union has a $2,500 unsecured loan limit, a husband and wife, if each applies for separate credit, must be separately considered for individual loans up to that amount. For example, if the husband has $2,500 outstanding, the wife may not be denied a loan on that basis. Rather, if she applies for her own loan, her individual creditworthiness must be considered. If the husband and wife have a joint loan, you need only consider each spouse for a separate loan up to the difference between the $2,500 ceiling and the amount of the joint loan.

3. EXEMPTION FROM ECOA (SECTION 202.11(e))

Pursuant to Section 202.11(e), if a State equal credit law affords applicants protection which is substantially similar to or greater than that of the Federal ECOA, the Federal Reserve Board may exempt classes of creditors in that State from compliance with the Federal law. No such exemption has been granted as of the date of this manual which would apply to Federal credit unions. You will be advised if any such exemption is granted in the future.

N. QUESTIONS AND EXPLANATIONS TO HELP YOU DETERMINE WHETHER YOUR CREDIT UNION IS IN COMPLIANCE WITH REGULATION B

The following questions and explanations highlight the basic requirements of Regulation B. Answering the questions after considering the applicable explanations should give you a good indication as to whether your credit union is in compliance with Regulation B. If you find after answering the following questions that your credit union is not in compliance, you should take appropriate corrective action.

QUESTIONS	EXPLANATIONS
1. Does the credit union on a prohibited basis refuse or discourage any members from applying for a loan?	1. Creditors may not on a prohibited basis prohibit or discourage any individual from applying for credit. (See Section 202.5(a).) The nine prohibited bases are: race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract), receipt of income from any public assistance program or good faith exercise of any right under the Consumer Credit Protection Act (i.e. filing a complaint or suit against the credit union alleging a violation under TIL, ECOA or FCRA). The latter means that the credit union may not discriminate against an applicant who it considers to be a "troublemaker" because of having filed a complaint under one of the consumer acts. If, however, a credit union has a field of membership which is confined to persons in one of these categories (against which discrimination is prohibited, such as a religious group), it is not a violation to deny membership to persons outside that field of membership. Likewise, it is not a violation to refuse to accept a loan application from a nonmember (nor would this be considered an adverse action) since membership is not a prohibited basis of discrimination under ECOA. Within a credit union's field of membership, however, no person or group of persons may be rejected or discouraged on a prohibited basis. In addition, legislative history of the ECOA indicates that loan policies which have the **effect** of discriminating on a prohibited basis may violate that act regardless of the creditor's intent. For example, if payroll deduction is required as a condition for obtaining a loan and, as a result, spouses of primary members are not able to obtain credit, this may be challenged under ECOA. (E.g., if most of the employees of the sponsor are middle-aged men and other members are wives and children of the men, requiring payroll deduction may prevent the wives and children from obtaining loans, which may subject the credit union to sex or age discrimination charges.) See footnote 7 of Regulation B (Section 202.6(a).) The general rule, however, is that no member or group of members may be treated differently than others (any aspect of credit) due to age, race, etc. Therefore, **unless** an applicant is **not** a member or within the field of membership, a credit union must accept his/her loan application even though the credit union's minimum eligibility requirements are not met. However, it has full latitude in approving or rejecting the application within its established policies, assuming those policies are non-discriminatory.
2. Do the credit union's loan application forms meet all of the following requirements to the extent applicable: (a) Courtesy titles such as Ms., Mrs., or Miss are requested only if designated as optional? (b) All other terms used are neutral as to sex? (c) Proper terms are used to desig-	2. Marital status can be requested **only** for collateral secured or joint loans, only the terms "married, unmarried, or separated" can be used if marital status is permitted to be requested. Note, that the existence of a comaker or guarantor does not make a loan "secured" within the meaning of regulation B. In other words, the existence of a second signature is not a basis for asking marital status unless the two signing parties have requested a joint loan (see section 202.5(b)(1)). If the application calls for a source of other income or, more particularly, specifically asks if any of the income is from alimony, child support or

QUESTIONS *(Continued)*	EXPLANATIONS *(Continued)*
nate marital status? (d) Marital status is not requested for individual unsecured credit unless community property exception is met? (e) Sources of other income are asked only if required notice is included on the loan application?	similar sources, it must disclose that such income does not need to be revealed if the applicant does not desire the creditor to consider it when determining creditworthiness.
3. If the credit union requests information on a spouse or former spouse, does it comply with section 202.5(c)(2)?	3. Regardless of whether the loan is secured or unsecured, a creditor may request any information concerning an applicant's spouse (or former spouse) that may be requested about the applicant **only** if: (i) The spouse will be permitted to use the loan account; or (ii) The spouse will be contractually liable upon the loan account; or (iii) The applicant is relying on the spouse's income as a basis for repayment of the credit requested; or (iv) The applicant resides in a community property state or property (on which the applicant is relying as a basis for repayment of the credit requested) is located in such a state; or (v) The applicant is relying on alimony, child support or separate maintenance payments from the spouse or former spouse as a basis for repayment of the credit requested. A credit union may, however, request an applicant (a) to list any account upon which he/she is liable and to provide the name and address in which such account is carried and (b) the names in which he/she has previously received credit.
4. Does the credit union request any other information prohibited by ECOA?	4. Except as indicated under question 19, the credit union may not ask an applicant's race, color, religion, national origin or sex in any aspect of a credit transaction. In addition the FCU may not: (a) Request information about birth control practices. (b) Request intentions concerning bearing or rearing children. The FCU may: (a) Ask the number and age of all dependents. (b) Ask about dependent-related expenses or obligations. The above may only be asked to determine an element of creditworthiness. Each member must be asked identical questions. These questions must be asked of all applicants, however, if they are asked of any applicants.
5. Does the credit union take income into consideration as required by ECOA?	5. The credit union must not discount or exclude from consideration, the income listed by an applicant **or** his/her spouse for prohibited reasons or because it is derived from part-time employment, public assistance or pension or similar benefits. It may, however, consider the amount and probable continuance of such income in evaluating an applicant's creditworthiness. Also, regarding receipt of public assistance,

QUESTIONS *(Continued)*	EXPLANATIONS *(Continued)*
	it may consider the length of receipt of such income and the applicant's intent to remain eligible for those benefits. Regarding alimony, child support or separate maintenance payments, if the applicant has chosen to disclose such income, the credit union must consider payments as income to the extent that they are likely to be consistently made. (See Section 202.6(b)(5).)
6. If the credit union considers credit histories, does it do so in accordance with Section 202.6(b)(6)?	6. The term "Credit History" is not defined in Reg B, but it is intended to include all credit information received from a credit reporting agency as well as any other payment records developed or submitted by an applicant. Since nearly all credit unions consider credit histories of their members, the credit union must be receptive to considering all credit information in a credit report as well as that information submitted by a member (including information that the credit history being considered does not accurately reflect the member's creditworthiness). A liberal interpretation of "credit history" in this context should prevent any problems from arising.
7. Does the credit union consider any other information prohibited by ECOA?	7. A credit union may not consider an applicant's race, national origin, religion, color or sex in any aspect of a credit transaction. In addition it may not take into account the existence (or lack thereof) of a telephone listing in the name of an applicant, nor may it use (when evaluating creditworthiness) assumptions or statistics regarding the likelihood of bearing/rearing children or diminished income resulting therefrom (but see explanation 4). It may not consider the fact that an applicant receives public assistance (but see explanation 5), nor may it consider age ***per se*** as a negative factor. Except as otherwise provided in ECOA however, a credit union may consider in evaluating an application any information that it obtains, so long as the information is not used to discriminate against an applicant on a prohibited basis.
8. If the credit union requests the age of the member, does it consider age only to determine a pertinent element of creditworthiness?	8. Age can always be requested, but age can only be considered to determine a pertinent element of creditworthiness. For example an FCU can consider the effect of a member's expected retirement on income to ascertain whether the member will be able to make payments until the loan is paid in full. As an exception to the general rule, the age of an elderly person (62 or older as defined in Regulation B) can be considered directly if this fact is used in the favor of the elderly applicant. Direct consideration of age is also allowed in certain sophisticated, tested credit scoring systems. Otherwise, the direct consideration of age is prohibited. For example **routinely** refusing to grant loans or **routinely** requiring extra collateral for a person over 62 is not allowed. (See section 202.6(b)(2).)
9. If the credit union uses a credit scoring system which includes age, is the system empirically derived and demonstrably and statistically sound?	9. If the credit union uses a credit scoring system which includes age, that system must be demonstrably and statistically sound and empirically derived as defined in section 202.2(p). Even then, however, the age of an elderly applicant may not be assigned a negative factor or value. It might also be noted that a credit scoring system which meets these standards would normally offer excellent protection to a credit union in the event of a lawsuit based on the effects tests.

QUESTIONS *(Continued)*	EXPLANATIONS *(Continued)*
10. Does the credit union reject loans because applicants do not qualify for loan protection or other insurance due to their age?	10. If a member does not qualify for loan protection or disability insurance because of age, the credit union may not refuse to grant credit on that basis, although different insurance premiums rates may be charged. It might also be noted that a credit union can request age, sex, and marital status in an application for insurance but these items cannot be considered when evaluating the credit application itself.
11. If the credit union routinely requires the signature of a cosigner on a note, does its policy require cosigners for all similarly situated applicants applying for a similar amount and type of credit without regard to sex or marital status?	11. If a credit union requires the signature of a cosigner on a note, the credit union must do so for all similarly situated applicants who apply for a similar type and amount of credit without regard to sex or marital status. When applicant is married, the credit union cannot specifically require or prohibit the applicant's spouse as cosigner. (See section 202.7(d) for exceptions where signature of the spouse or some other specific person may be required.) Similarly, policies may not uniformly require comakers for single applicants without regard to creditworthiness. Furthermore, as provided in section 202.7(d), a credit union cannot require the signature of an applicant's spouse or other person (other than a joint applicant) on any credit instrument if the applicant qualifies under the credit union standards of creditworthiness for the amount and terms of the credit requested without such additional signature.
12. If spouses' signatures are required, are they permitted by ECOA?	12. If an applicant requests unsecured credit and relies in part upon property to establish creditworthiness or if the applicant resides in (or the property is located in) a community property state, the credit union may require the signature of a spouse on any instrument reasonably believed to be necessary under applicable state law to make that property available to satisfy the debt in the event of default. (See section 202.7(d)(3).) If an applicant requests secured credit, the credit union may require signature of the applicant's spouse (or other person) on any instrument reasonably believed to be necessary under state law to make the property being offered as security available to satisfy the debt in the event of default. The credit union cannot however, require a spouse to sign the note in addition to the lien instrument if under state law the signature of the spouse on the note would not be necessary for creating a valid lien, passing clear title, waiving inchoate rights or assigning earnings.
13. Does the credit union require a reapplication of members on open end loans when they have a change in marital status?	13. A credit union may not require a reapplication, change the terms of the account or terminate the account because of a change in marital status unless there is evidence that the member is unable or unwilling to pay. This evidence might include a missed payment. In addition, if the applicant's income alone at the time of the initial application did not support the amount of credit for an open-end account, a reapplication may be required in the event of a change in marital status. See section 202.7(c).
14. Does the credit union take action to approve or reject credit applications within 30 days of receipt and so notify the applicant?	14. Section 202.9(a)(1) requires the credit union to take action to approve or reject the credit application within 30 days of receipt and to so notify the applicant. In addition, since section 202.2(c) indicates that refusal to grant credit in substantially the amount or terms requested by the applicant constitutes an adverse action, it is important for credit unions to resolve all applications promptly including those

QUESTIONS *(Continued)*	EXPLANATIONS *(Continued)*
	applications which do not meet the credit union's standards for completion.
15. When a loan application is rejected or other adverse action is taken, does the credit union notify the member by written notice which contains (a) a statement of the action taken, (b) the ECOA notice with NCUA name and address and (c) a statement of the specific reasons for the adverse action or the member's right to receive the specific reasons?	15. If an adverse action (as defined in section 202.2(c)) is taken by the credit union it must give the member written notification of this fact. It must also provide an ECOA notice which includes NCUA's address as well as a statement of the specific reasons for the actions taken or the member's right to receive these specific reasons. Accordingly, NCUA has suggested that credit unions use the sample form provided in section 202.9(b)(2), since this will assure compliance with section 202.9(a)(2) if it is properly completed. Note: if adverse information is used from any outside source the requirements of the fair credit reporting act must also be complied with.
16. If the credit union furnishes credit information to any outside source, does it, for each loan granted **after** 6/16/77: (a) determine if a spouse will be contractually liable or a user of the account and (b) designate the file to reflect participation of the spouse?	16. If a credit union does not furnish credit information to any outside source, no action is required under section 202.10. However, if information is furnished to anyone, the credit union must designate the loan files to reflect participating spouses (i.e. spouses who are contractually obligated, other than as a guarantor, or who are authorized to use an open end account). In this event the credit union must set up a cross index file or some appropriate method for providing the information required under this section.
17. If the credit union furnishes credit information to any outside source, did it, for each active loan granted **prior** to 6/1/77, determine and designate the participation of each spouse **or** send the required notice "Credit History for Married Person?"	17. The credit union must do one of the following: (1) determine the spouse is an authorized user (open end) or is contractually obligated on the loan and designate the loan file to reflect participation of both spouses or (2) mail the notice "Credit Histories for Married Persons" prior to October 2, 1977 and comply with section 202.10(b)(2) and (b)(3).
18. Does the credit union retain all required records in accordance with Section 202.12?	18. The general preservation period under ECOA is 25 months after the date the applicant is notified of action taken on the application.
19. Does the credit union request the race, national origin, sex, marital status and age of all loan applicants when the purpose of the loan is to purchase residential real property?	19. While the credit union must request this information of the applicant and joint applicant for a loan to purchase residential real property, the latter are not required to supply the information. If they chose not to, however, that fact must be noted on the form. A model loan application for loans of this type is shown on page 36 of Regulation B. Alternatively, if the credit union desires, this information can be obtained on a separate form that refers to the application. This information should not be requested for a home improvement loan or a real estate secured loan that is not a purchase money loan. The purpose of requesting this information is to monitor compliance. See section 202.13.

QUESTIONS *(Continued)*	EXPLANATIONS *(Continued)*
20. Does the credit union have prohibited information in its loan files?	20. A credit union may not use information prohibited by this act, but it may retain in its files information on the applicant's sex, marital status, or other prohibited areas if the information was received: (a) from any source prior to 3/23/77, (except that applicable date for retention of information relating to sex or marital status is 6/20/76), (b) at any time from a consumer reporting agency, (c) at any time from the applicant if the credit union has not requested the information, or (d) at any time if required by section 202.13. (See section 202.12(a).)

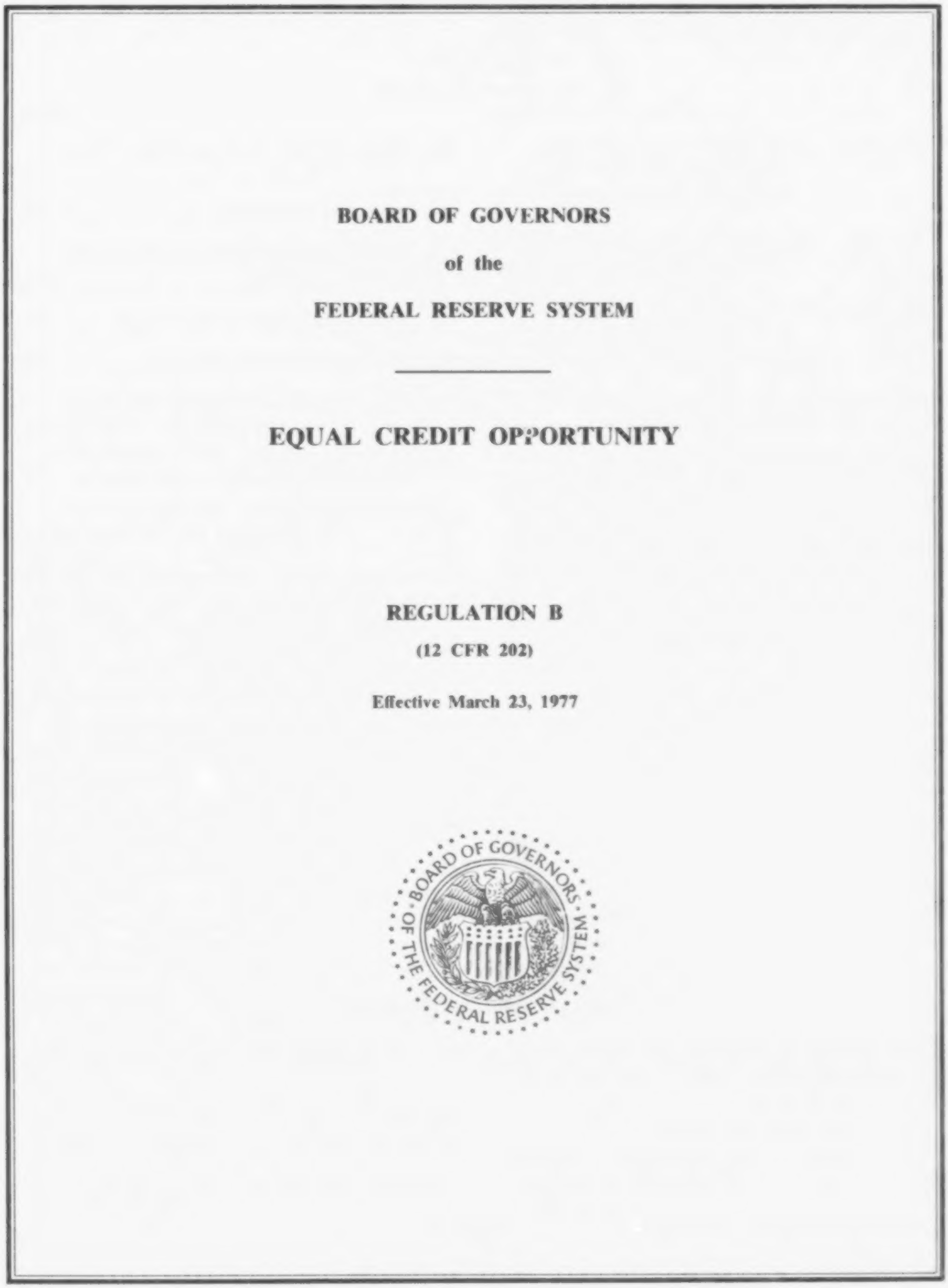
O. PENALTIES (SECTION 202.1(c))

Creditors who violate the Act and Regulation are subject to civil liability for actual and punitive damages. In an individual lawsuit, punitive damages may be as high as $10,000. In a class action lawsuit, punitive damages may be as much as the lesser of $500,000 or 1 percent of net worth. Substantial attorney's fees may also be awarded.

P. ENFORCEMENT (SECTION 202.1(b))

The Administrator of the National Credit Union Administration is responsible for enforcing the Equal Credit Opportunity Act and Regulation B among Federal Credit Unions.

Appendix A



BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM

EQUAL CREDIT OPPORTUNITY

REGULATION B

(12 CFR 202)

Effective March 23, 1977

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STATUTORY AUTHORITY

This regulation is based upon and issued pursuant to provisions of section 703 of the Equal Credit Opportunity Act, U.S.C., Title 15, sec. 1691 *et seq.*

REGULATION B

(12 CFR 202)

Effective March 23, 1977

EQUAL CREDIT OPPORTUNITY

SECTION 202.1—AUTHORITY, SCOPE, ENFORCEMENT, PENALTIES AND LIABILITIES, INTERPRETATIONS

(a) **Authority and scope.** This Part[1] comprises the regulations issued by the Board of Governors of the Federal Reserve System pursuant to Title VII (Equal Credit Opportunity Act) of the Consumer Credit Protection Act, as amended (15 U.S.C. § 1601 *et seq.*). Except as otherwise provided herein, this Part applies to all persons who are creditors, as defined in section 202.2(*l*).

(b) **Administrative enforcement.** (1) As set forth more fully in section 704 of the Act, administrative enforcement of the Act and this Part regarding certain creditors is assigned to the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Board of Directors of the Federal Deposit Insurance Corporation, Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), Administrator of the National Credit Union Administration, Interstate Commerce Commission, Civil Aeronautics Board, Secretary of Agriculture, Farm Credit Administration, Securities and Exchange Commission, and Small Business Administration.

(2) Except to the extent that administrative enforcement is specifically committed to other authorities, compliance with the requirements imposed under the Act and this Part will be enforced by the Federal Trade Commission.

(c) **Penalties and liabilities.** (1) Sections 706(a) and (b) of the Act provide that any creditor who fails to comply with any requirement imposed under the Act or, pursuant to section 702(g), this Part is subject to civil liability for actual and punitive damages in individual or class actions. Pursuant to section 704 of the Act, violations of the Act or, pursuant to section 702(g), this Part constitute violations of other Federal laws that may provide further penalties. Liability for punitive damages is restricted by section 706(b) to non-governmental entities and is limited to $10,000 in individual actions and the lesser of $500,000 or one percent of the creditor's net worth in class actions. Section 706(c) provides for equitable and declaratory relief. Section 706(d) authorizes the awarding of costs and reasonable attorney's fees to an aggrieved applicant in a successful action.

(2) Section 706(e) relieves a creditor from civil liability resulting from any act done or omitted in good faith in conformity with any rule, regulation, or interpretation by the Board of Governors of the Federal Reserve System, or with any interpretations or approvals issued by a duly authorized official or employee of the Federal Reserve System, notwithstanding that after such act or omission has occurred, such rule, regulation, interpretation, or approval is amended, rescinded, or otherwise determined to be invalid for any reason.

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[1] As used herein, the words "this Part" mean Regulation B, 12 CFR 202.

(3) As provided in section 706(f), a civil action under the Act or this Part may be brought in the appropriate United States district court without regard to the amount in controversy or in any other court of competent jurisdiction within two years after the date of the occurrence of the violation or within one year after the commencement of an administrative enforcement proceeding or a civil action brought by the Attorney General within two years after the alleged violation.

(4) Sections 706(g) and (h) provide that, if the agencies responsible for administrative enforcement are unable to obtain compliance with the Act or, pursuant to section 702(g), this Part, they may refer the matter to the Attorney General. On such referral, or whenever the Attorney General has reason to believe that one or more creditors are engaged in a pattern or practice in violation of the Act or this Part, the Attorney General may bring a civil action.

(d) **Interpretations.** (1) A request for a formal Board interpretation or an official staff interpretation of this Part must be addressed to the Director of the Division of Consumer Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Each request for an interpretation must contain a complete statement, signed by the person making the request or a duly authorized agent, of all relevant facts of the transaction or credit arrangement relating to the request. True copies of all pertinent documents must be submitted with the request. The relevance of such documents must, however, be set forth in the request, and the documents must not merely be incorporated by reference. The request must contain an analysis of the bearing of the facts on the issues and must specify the pertinent provisions of the statute and regulation. Within 15 business days of receipt of the request, a substantive response will be sent to the person making the request, or an acknowledgement will be sent that sets a reasonable time within which a substantive response will be given.

(2) Any request for reconsideration of an official staff interpretation of this Part must be addressed to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, within 30 days of the publication of such interpretation in the *Federal Register*. Each request for reconsideration must contain a statement setting forth in full the reasons why the person making the request believes reconsideration would be appropriate, and must specify and discuss the applicability of the relevant facts, statute, and regulations. Within 15 business days of receipt of such request for reconsideration, a response granting or denying the request will be sent to the person making the request, or an acknowledgement will be sent that sets a reasonable time within which such response will be given.

(3) Pursuant to section 706(e) of the Act, the Board has designated the Director and other officials of the Division of Consumer Affairs as officials "duly authorized" to issue, at their discretion, official staff interpretations of this Part. This designation shall not be interpreted to include authority to approve particular creditors' forms in any manner.

(4) The type of interpretation issued will be determined by the Board and the designated officials by the following criteria:

(i) Official Board interpretations will be issued upon those requests that involve potentially controversial issues of general applicability dealing with substantial ambiguities in this Part and that raise significant policy questions.

(ii) Official staff interpretations will be issued upon those requests that, in the opinion of the designated officials, require clarification of technical ambiguities in this Part or that have no significant policy implications.

(iii) Unofficial staff interpretations will be issued where the protection of section 706(e) of the Act is neither requested nor required, or where time strictures require a rapid response.

SECTION 202.2—DEFINITIONS AND RULES OF CONSTRUCTION

For the purposes of this Part, unless the context indicates otherwise, the following definitions and rules of construction shall apply: [2]

(a) **Account** means an extension of credit. When employed in relation to an account, the word **use** refers only to open end credit.

(b) **Act** means the Equal Credit Opportunity Act (Title VII of the Consumer Credit Protection Act).

(c) **Adverse action.** (1) For the purposes of notification of action taken, statement of reasons for denial, and record retention, the term means:

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[2] Note that some of the definitions in this Part are not identical to those in 12 CFR 226 (Regulation Z).

(i) a refusal to grant credit in substantially the amount or on substantially the terms requested by an applicant unless the creditor offers to grant credit other than in substantially the amount or on substantially the terms requested by the applicant and the applicant uses or expressly accepts the credit offered; or

(ii) a termination of an account or an unfavorable change in the terms of an account that does not affect all or a substantial portion of a classification of a creditor's accounts; or

(iii) a refusal to increase the amount of credit available to an applicant when the applicant requests an increase in accordance with procedures established by the creditor for the type of credit involved.

(2) The term does not include:

(i) a change in the terms of an account expressly agreed to by an applicant; or

(ii) any action or forbearance relating to an account taken in connection with inactivity, default, or delinquency as to that account; or

(iii) a refusal to extend credit at a point of sale or loan in connection with the use of an account because the credit requested would exceed a previously established credit limit on the account; or

(iv) a refusal to extend credit because applicable law prohibits the creditor from extending the credit requested; or

(v) a refusal to extend credit because the creditor does not offer the type of credit or credit plan requested.

(d) **Age** refers only to natural persons and means the number of fully elapsed years from the date of an applicant's birth.

(e) **Applicant** means any person who requests or who has received an extension of credit from a creditor, and includes any person who is or may be contractually liable regarding an extension of credit other than a guarantor, surety, endorser, or similar party.

(f) **Application** means an oral or written request for an extension of credit that is made in accordance with procedures established by a creditor for the type of credit requested. The term does not include the use of an account or line of credit to obtain an amount of credit that does not exceed a previously established credit limit. **A completed application for credit** means an application in connection with which a creditor has received all the information that the creditor regularly obtains and considers in evaluating applications for the amount and type of credit requested (including, but not limited to, credit reports, any additional information requested from the applicant, and any approvals or reports by governmental agencies or other persons that are necessary to guarantee, insure, or provide security for the credit or collateral); provided, however, that the creditor has exercised reasonable diligence in obtaining such information. Where an application is incomplete respecting matters that the applicant can complete, a creditor shall make a reasonable effort to notify the applicant of the incompleteness and shall allow the applicant a reasonable opportunity to complete the application.

(g) **Board** means the Board of Governors of the Federal Reserve System.

(h) **Consumer credit** means credit extended to a natural person in which the money, property, or service that is the subject of the transaction is primarily for personal, family, or household purposes.

(i) **Contractually liable** means expressly obligated to repay all debts arising on an account by reason of an agreement to that effect.

(j) **Credit** means the right granted by a creditor to an applicant to defer payment of a debt, incur debt and defer its payment, or purchase property or services and defer payment therefor.

(k) **Credit card** means any card, plate, coupon book, or other single credit device existing for the purpose of being used from time to time upon presentation to obtain money, property, or services on credit.

(*l*) **Creditor** means a person who, in the ordinary course of business, regularly participates in the decision of whether or not to extend credit. The term includes an assignee, transferee, or subrogee of an original creditor who so participates; but an assignee, transferee, subrogee, or other creditor is not a creditor regarding any violation of the Act or this Part committed by the original or another creditor unless the assignee, transferee, subrogee, or other creditor knew or had reasonable notice of the act, policy, or practice that constituted the violation before its involvement with the credit transaction. The term does not include a person whose only participation in a credit transaction involves honoring a credit card.

(m) **Credit transaction** means every aspect of an applicant's dealings with a creditor regarding an application for, or an existing extension of, credit including, but not limited to, information requirements; investigation procedures; standards of creditworthiness; terms of credit; furnishing of credit information; revocation, alteration, or termination of credit; and collection procedures.

(n) **Discriminate against an applicant** means to treat an applicant less favorably than other applicants.

(o) **Elderly** means an age of 62 or older.

(p) **Empirically derived credit system.** (1) The term means a credit scoring system that evaluates an applicant's creditworthiness primarily by allocating points (or by using a comparable basis for assigning weights) to key attributes describing the applicant and other aspects of the transaction. In such a system, the points (or weights) assigned to each attribute, and hence the entire score:

(i) are derived from an empirical comparison of sample groups or the population of creditworthy and non-creditworthy applicants of a creditor who applied for credit within a reasonable preceding period of time; and

(ii) determine, alone or in conjunction with an evaluation of additional information about the applicant, whether an applicant is deemed creditworthy.

(2) **A demonstrably and statistically sound, empirically derived credit system** is a system:

(i) in which the data used to develop the system, if not the complete population consisting of all applicants, are obtained from the applicant file by using appropriate sampling principles;

(ii) which is developed for the purpose of predicting the creditworthiness of applicants with respect to the legitimate business interests of the creditor utilizing the system, including, but not limited to, minimizing bad debt losses and operating expenses in accordance with the creditor's business judgment;

(iii) which, upon validation using appropriate statistical principles, separates creditworthy and non-creditworthy applicants at a statistically significant rate; and

(iv) which is periodically revalidated as to its predictive ability by the use of appropriate statistical principles and is adjusted as necessary to maintain its predictive ability.

(3) A creditor may use a demonstrably and statistically sound, empirically derived credit system obtained from another person or may obtain credit experience from which such a system may be developed. Any such system must satisfy the tests set forth in subsections (1) and (2); provided that, if a creditor is unable during the development process to validate the system based on its own credit experience in accordance with subsection (2)(iii), then the system must be validated when sufficient credit experience becomes available. A system that fails this validity test shall henceforth be deemed not to be a demonstrably and statistically sound, empirically derived credit system for that creditor.

(q) **Extend credit** and **extension of credit** mean the granting of credit in any form and include, but are not limited to, credit granted in addition to any existing credit or credit limit; credit granted pursuant to an open end credit plan; the refinancing or other renewal of credit, including the issuance of a new credit card in place of an expiring credit card or in substitution for an existing credit card; the consolidation of two or more obligations; or the continuance of existing credit without any special effort to collect at or after maturity.

(r) **Good faith** means honesty in fact in the conduct or transaction.

(s) **Inadvertent error** means a mechanical, electronic, or clerical error that a creditor demonstrates was not intentional and occurred notwithstanding the maintenance of procedures reasonably adapted to avoid any such error.

(t) **Judgmental system of evaluating applicants** means any system for evaluating the creditworthiness of an applicant other than a demonstrably and statistically sound, empirically derived credit system.

(u) **Marital status** means the state of being unmarried, married, or separated, as defined by applicable State law. For the purposes of this Part, the term "unmarried" includes persons who are single, divorced, or widowed.

(v) **Negative factor or value,** in relation to the age of elderly applicants, means utilizing a factor, value, or weight that is less favorable regarding elderly applicants than the creditor's experience warrants or is less favorable than the factor, value, or weight assigned to the class of applicants that are not classified as elderly applicants and are most favored by a creditor on the basis of age.

(w) **Open end credit** means credit extended pursuant to a plan under which a creditor may permit an applicant to make purchases or obtain loans from time to time directly from the creditor or indirectly by use of a credit card, check, or other device as the plan may provide. The term does not include negotiated advances under an open end real estate mortgage or a letter of credit.

(x) **Person** means a natural person, corporation, government or governmental subdivision or agency, trust, estate, partnership, cooperative, or association.

(y) **Pertinent element of creditworthiness,** in relation to a judgmental system of evaluating applicants, means any information about applicants that a creditor obtains and considers and that has a demonstrable relationship to a determination of creditworthiness.

(z) **Prohibited basis** means race, color, religion, national origin, sex, marital status, or age (provided that the applicant has the capacity to enter into a binding contract); the fact that all or part of the applicant's income derives from any public assistance program, or the fact that the applicant has in good faith exercised any right under the Consumer Credit Protection Act [3] or any State law upon which an exemption has been granted by the Board.

(aa) **Public assistance program** means any Federal, State, or local governmental assistance program that provides a continuing, periodic income supplement, whether premised on entitlement or need. The term includes, but is not limited to, Aid to Families with Dependent Children, food stamps, rent and mortgage supplement or assistance programs, Social Security and Supplemental Security Income, and unemployment compensation.

(bb) **State** means any State, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States.

(cc) Captions and catchlines are intended solely as aids to convenient reference, and no inference as to the substance of any provision of this Part may be drawn from them.

(dd) Footnotes shall have the same legal effect as the text of the regulation, whether they are explanatory or illustrative in nature.

SECTION 202.3—SPECIAL TREATMENT FOR CERTAIN CLASSES OF TRANSACTIONS

(a) **Classes of transactions afforded special treatment.** Pursuant to section 703(a) of the Act, the following classes of transactions are afforded specialized treatment:

(1) extensions of credit relating to transactions under public utility tariffs involving services provided through pipe, wire, or other connected facilities if the charges for such public utility services, the charges for delayed payment, and any discount allowed for early payment are filed with, or reviewed or regulated by, an agency of the Federal government, a State, or a political subdivision thereof;

(2) extensions of credit subject to regulation under section 7 of the Securities Exchange Act of 1934 or extensions of credit by a broker or dealer subject to regulation as a broker or dealer under the Securities Exchange Act of 1934;

(3) extensions of incidental consumer credit, other than of the types described in subsections (a)(1) and (2):

(i) that are not made pursuant to the terms of a credit card account;

(ii) on which no finance charge as defined in section 226.4 of this Title (Regulation Z, 12 CFR 226.4) is or may be imposed; and

(iii) that are not payable by agreement in more than four instalments;

(4) extensions of credit primarily for business or commercial purposes, including extensions of

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[3] The first clause of the definition is not limited to characteristics of the applicant. Therefore, "prohibited basis" as used in this Part refers not only to the race, color, religion, national origin, sex, marital status, or age of an applicant (or of partners or officers of an applicant), but refers also to the characteristics of individuals with whom an applicant deals. This means, for example, that, under the general rule stated in section 202.4, a creditor may not discriminate against a non-Jewish applicant because of that person's business dealings with Jews, or discriminate against an applicant because of the characteristics of persons to whom the extension of credit relates (e.g., the prospective tenants in an apartment complex to be constructed with the proceeds of the credit requested), or because of the characteristics of other individuals residing in the neighborhood where the property offered as collateral is located. A creditor may take into account, however, any applicable law, regulation, or executive order restricting dealings with citizens or governments of other countries or imposing limitations regarding credit extended for their use.

The second clause is limited to an applicant's receipt of public assistance income and to an applicant's good faith exercise of rights under the Consumer Credit Protection Act or applicable State law.

credit primarily for agricultural purposes, but excluding extensions of credit of the types described in subsections (a)(1) and (2); and

(5) extensions of credit made to governments or governmental subdivisions, agencies, or instrumentalities.

(b) **Public utilities credit.** The following provisions of this Part shall not apply to extensions of credit of the type described in subsection (a)(1):

(1) section 202.5(d)(1) concerning information about marital status;

(2) section 202.10 relating to furnishing of credit information; and

(3) section 202.12(b) relating to record retention.

(c) **Securities credit.** The following provisions of this Part shall not apply to extensions of credit of the type described in subsection (a)(2):

(1) section 202.5(c) concerning information about a spouse or former spouse;

(2) section 202.5(d)(1) concerning information about marital status;

(3) section 202.5(d)(3) concerning information about the sex of an applicant;

(4) section 202.7(b) relating to designation of name, but only to the extent necessary to prevent violation of rules regarding an account in which a broker or dealer has an interest, or rules necessitating the aggregation of accounts of spouses for the purpose of determining controlling interests, beneficial interests, beneficial ownership, or purchase limitations and restrictions;

(5) section 202.7(c) relating to action concerning open end accounts, but only to the extent the action taken is on the basis of a change of name or marital status;

(6) section 202.7(d) relating to signature of a spouse or other person;

(7) section 202.10 relating to furnishing of credit information; and

(8) section 202.12(b) relating to record retention.

(d) **Incidental credit.** The following provisions of this Part shall not apply to extensions of credit of the type described in subsection (a)(3):

(1) section 202.5(c) concerning information about a spouse or former spouse;

(2) section 202.5(d)(1) concerning information about marital status;

(3) section 202.5(d)(2) concerning information about income derived from alimony, child support, or separate maintenance payments;

(4) section 202.5(d)(3) concerning information about the sex of an applicant to the extent necessary for medical records or similar purposes;

(5) section 202.7(d) relating to signature of a spouse or other person;

(6) section 202.9 relating to notifications;

(7) section 202.10 relating to furnishing of credit information; and

(8) section 202.12(b) relating to record retention.

(e) **Business credit.** The following provisions of this Part shall not apply to extensions of credit of the type described in subsection (a)(4):

(1) section 202.5(d)(1) concerning information about marital status;

(2) section 202.9 relating to notifications, unless an applicant, within 30 days after oral or written notification that adverse action has been taken, requests in writing the reasons for such action;

(3) section 202.10 relating to furnishing of credit information; and

(4) section 202.12(b) relating to record retention, unless an applicant, within 90 days after adverse action has been taken, requests in writing that the records relating to the application be retained.

(f) **Governmental credit.** Except for section 202.1 relating to authority, scope, enforcement, penalties and liabilities, and interpretations, section 202.2 relating to definitions and rules of construction, this section, section 202.4 relating to the general rule prohibiting discrimination, section 202.6(a) relating to the use of information, section 202.11 relating to State laws, and section 202.12(a) relating to the retention of prohibited information, the provisions of this Part shall not apply to extensions of credit of the type described in subsection (a)(5).

SECTION 202.4—GENERAL RULE PROHIBITING DISCRIMINATION

A creditor shall not discriminate against an applicant on a prohibited basis regarding any aspect of a credit transaction.

SECTION 202.5—RULES CONCERNING APPLICATIONS

(a) **Discouraging applications.** A creditor shall not make any oral or written statement, in advertising or otherwise, to applicants or prospective applicants that would discourage on a prohibited basis a reasonable person from making or pursuing an application.

(b) **General rules concerning requests for information.** (1) Except as otherwise provided in this section, a creditor may request any information in connection with an application.[4]

(2) Notwithstanding any other provision of this section, a creditor shall request an applicant's race/national origin, sex, and marital status as required in section 202.13 (information for monitoring purposes). In addition, a creditor may obtain such information as may be required by a regulation, order, or agreement issued by, or entered into with, a court or an enforcement agency (including the Attorney General or a similar State official) to monitor or enforce compliance with the Act, this Part, or other Federal or State statute or regulation.

(3) The provisions of this section limiting permissible information requests are subject to the provisions of section 202.7(e) regarding insurance and sections 202.8(c) and (d) regarding special purpose credit programs.

(c) **Information about a spouse or former spouse.** (1) Except as permitted in this subsection, a creditor may not request any information concerning the spouse or former spouse of an applicant.

(2) A creditor may request any information concerning an applicant's spouse (or former spouse under (v) below) that may be requested about the applicant if:

(i) the spouse will be permitted to use the account; or

(ii) the spouse will be contractually liable upon the account; or

(iii) the applicant is relying on the spouse's income as a basis for repayment of the credit requested; or

(iv) the applicant resides in a community property State or property upon which the applicant is relying as a basis for repayment of the credit requested is located in such a State; or

(v) the applicant is relying on alimony, child support, or separate maintenance payments from a spouse or former spouse as a basis for repayment of the credit requested.

(3) A creditor may request an applicant to list any account upon which the applicant is liable and to provide the name and address in which such account is carried. A creditor may also ask the names in which an applicant has previously received credit.

(d) **Information a creditor may not request.** (1) If an applicant applies for an individual, unsecured account, a creditor shall not request the applicant's marital status, unless the applicant resides in a community property State or property upon which the applicant is relying as a basis for repayment of the credit requested is located in such a State.[5] Where an application is for other than individual, unsecured credit, a creditor may request an applicant's marital status. Only the terms "married," "unmarried," and "separated" shall be used, and a creditor may explain that the category "unmarried" includes single, divorced, and widowed persons.

(2) A creditor shall not inquire whether any income stated in an application is derived from alimony, child support, or separate maintenance payments, unless the creditor appropriately discloses to the applicant that such income need not be revealed if the applicant does not desire the creditor to consider such income in determining the applicant's creditworthiness. Since a general inquiry about income, without further specification, may lead an applicant to list alimony, child support, or separate maintenance payments, a creditor shall provide an appropriate notice to an applicant before inquiring about the source of an applicant's income, unless the terms of the inquiry (such as an inquiry about salary, wages, investment income, or similarly specified income) tend to preclude the unintentional disclosure of ali-

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[4] This subsection is not intended to limit or abrogate any Federal or State law regarding privacy, privileged information, credit reporting limitations, or similar restrictions on obtainable information. Furthermore, permission to request information should not be confused with how it may be utilized, which is governed by section 202.6 (rules concerning evaluation of applications).

[5] This provision does not preclude requesting relevant information that may indirectly disclose marital status, such as asking about liability to pay alimony, child support, or separate maintenance; the source of income to be used as a basis for the repayment of the credit requested, which may disclose that it is a spouse's income; whether any obligation disclosed by the applicant has a co-obligor, which may disclose that the co-obligor is a spouse or former spouse; or the ownership of assets, which may disclose the interest of a spouse, when such assets are relied upon in extending the credit. Such inquiries are allowed by the general rule of subsection (b)(1).

mony, child support, or separate maintenance payments.

(3) A creditor shall not request the sex of an applicant. An applicant may be requested to designate a title on an application form (such as Ms., Miss, Mr., or Mrs.) if the form appropriately discloses that the designation of such a title is optional. An application form shall otherwise use only terms that are neutral as to sex.

(4) A creditor shall not request information about birth control practices, intentions concerning the bearing or rearing of children, or capability to bear children. This does not preclude a creditor from inquiring about the number and ages of an applicant's dependents or about dependent-related financial obligations or expenditures, provided such information is requested without regard to sex, marital status, or any other prohibited basis.

(5) A creditor shall not request the race, color, religion, or national origin of an applicant or any other person in connection with a credit transaction. A creditor may inquire, however, as to an applicant's permanent residence and immigration status.

(e) **Application forms.** A creditor need not use written applications. If a creditor chooses to use written forms, it may design its own,[6] use forms prepared by another person, or use the appropriate model application forms contained in Appendix B. If a creditor chooses to use an Appendix B form, it may change the form:

(1) by asking for additional information not prohibited by this section;

(2) by deleting any information request; or

(3) by rearranging the format without modifying the substance of the inquiries; provided that in each of these three instances the appropriate notices regarding the optional nature of courtesy titles, the option to disclose alimony, child support, or separate maintenance, and the limitation concerning marital status inquiries are included in the appropriate places if the items to which they relate appear on the creditor's form. If a creditor uses an appropriate Appendix B model form or to the extent that it modifies such a form in accordance with the provisions of clauses (2) or (3) of the preceding sentence or the instructions to Appendix B, that creditor shall be deemed to be acting in compliance with the provisions of subsections (c) and (d).

SECTION 202.6—RULES CONCERNING EVALUATION OF APPLICATIONS

(a) **General rule concerning use of information.** Except as otherwise provided in the Act and this Part, a creditor may consider in evaluating an application any information that the creditor obtains, so long as the information is not used to discriminate against an applicant on a prohibited basis.[7]

(b) **Specific rules concerning use of information.** (1) Except as provided in the Act and this Part, a creditor shall not take a prohibited basis into account in any system of evaluating the creditworthiness of applicants.[8]

(2)(i) Except as permitted in this subsection, a creditor shall not take into account an applicant's age (provided that the applicant has the capacity to enter into a binding contract) or whether an applicant's income derives from any public assistance program.

(ii) In a demonstrably and statistically sound, empirically derived credit system, a creditor may use an applicant's age as a predictive variable, provided that the age of an elderly applicant is not assigned a negative factor or value.

(iii) In a judgmental system of evaluating creditworthiness, a creditor may consider an applicant's age or whether an applicant's income derives from any public assistance program only for the purpose of determining a pertinent element of creditworthiness.[9]

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[6] A creditor also may continue to use any application form that complies with the requirements of the October 28, 1975 version of Regulation B until its present stock of those forms is exhausted or until March 23, 1978, whichever occurs first. The provisions of this Part shall not determine and are not evidence of the meaning of the requirements of the previous version of Regulation B.

[7] The legislative history of the Act indicates that the Congress intended an "effects test" concept, as outlined in the employment field by the Supreme Court in the cases of *Griggs* v. *Duke Power Co.*, 401 U.S. 424 (1971), and *Albemarle Paper Co.* v. *Moody*, 422 U.S. 405 (1975), to be applicable to a creditor's determination of creditworthiness. See Senate Report to accompany H.R. 6516, No. 94-589, pp. 4-5; House Report to accompany H.R. 6516, No. 94-210, p. 5.

[8] This provision does not prevent a creditor from considering the marital status of an applicant or the source of an applicant's income for the purpose of ascertaining the creditor's rights and remedies applicable to the particular extension of credit and not to discriminate in a determination of creditworthiness. Furthermore, a prohibited basis may be considered in accordance with section 202.8 (special purpose credit programs).

(iv) In any system of evaluating creditworthiness, a creditor may consider the age of an elderly applicant when such age is to be used to favor the elderly applicant in extending credit.

(3) A creditor shall not use, in evaluating the creditworthiness of an applicant, assumptions or aggregate statistics relating to the likelihood that any group of persons will bear or rear children or, for that reason, will receive diminished or interrupted income in the future.

(4) A creditor shall not take into account the existence of a telephone listing in the name of an applicant for consumer credit. A creditor may take into account the existence of a telephone in the residence of such an applicant.

(5) A creditor shall not discount or exclude from consideration the income of an applicant or the spouse of the applicant because of a prohibited basis or because the income is derived from part-time employment, or from an annuity, pension, or other retirement benefit; but a creditor may consider the amount and probable continuance of any income in evaluating an applicant's creditworthiness. Where an applicant relies on alimony, child support, or separate maintenance payments in applying for credit, a creditor shall consider such payments as income to the extent that they are likely to be consistently made. Factors that a creditor may consider in determining the likelihood of consistent payments include, but are not limited to, whether the payments are received pursuant to a written agreement or court decree; the length of time that the payments have been received; the regularity of receipt; the availability of procedures to compel payment; and the creditworthiness of the payor, including the credit history of the payor where available to the creditor under the Fair Credit Reporting Act or other applicable laws.

(6) To the extent that a creditor considers credit history in evaluating the creditworthiness of similarly qualified applicants for a similar type and amount of credit, in evaluating an applicant's creditworthiness, a creditor shall consider (unless the failure to consider results from an inadvertent error):

(i) the credit history, when available, of accounts designated as accounts that the applicant and a spouse are permitted to use or for which both are contractually liable;

(ii) on the applicant's request, any information that the applicant may present tending to indicate that the credit history being considered by the creditor does not accurately reflect the applicant's creditworthiness; and

(iii) on the applicant's request, the credit history, when available, of any account reported in the name of the applicant's spouse or former spouse that the applicant can demonstrate accurately reflects the applicant's creditworthiness.

(7) A creditor may consider whether an applicant is a permanent resident of the United States, the applicant's immigration status, and such additional information as may be necessary to ascertain its rights and remedies regarding repayment.

(c) **State property laws.** A creditor's consideration or application of State property laws directly or indirectly affecting creditworthiness shall not constitute unlawful discrimination for the purposes of the Act or this Part.

SECTION 202.7—RULES CONCERNING EXTENSIONS OF CREDIT

(a) **Individual accounts.** A creditor shall not refuse to grant an individual account to a creditworthy applicant on the basis of sex, marital status, or any other prohibited basis.

(b) **Designation of name.** A creditor shall not prohibit an applicant from opening or maintaining an account in a birth-given first name and a surname that is the applicant's birth-given surname, the spouse's surname, or a combined surname.

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[9] Concerning income derived from a public assistance program, a creditor may consider, for example, the length of time an applicant has been receiving such income; whether an applicant intends to continue to reside in the jurisdiction in relation to residency requirements for benefits; and the status of an applicant's dependents to ascertain whether benefits that the applicant is presently receiving will continue.

Concerning age, a creditor may consider, for example, the occupation and length of time to retirement of an applicant to ascertain whether the applicant's income (including retirement income, as applicable) will support the extension of credit until its maturity; or the adequacy of any security offered if the duration of the credit extension will exceed the life expectancy of the applicant. An elderly applicant might not qualify for a five-percent down, 30-year mortgage loan because the duration of the loan exceeds the applicant's life expectancy and the cost of realizing on the collateral might exceed the applicant's equity. The same applicant might qualify with a larger downpayment and a shorter loan maturity. A creditor could also consider an applicant's age, for example, to assess the significance of the applicant's length of employment or residence (a young applicant may have just entered the job market; an elderly applicant may recently have retired and moved from a long-time residence).

(c) **Action concerning existing open end accounts.** (1) In the absence of evidence of inability or unwillingness to repay, a creditor shall not take any of the following actions regarding an applicant who is contractually liable on an existing open end account on the basis of the applicant's reaching a certain age or retiring, or on the basis of a change in the applicant's name or marital status:

(i) require a reapplication; or

(ii) change the terms of the account; or

(iii) terminate the account.

(2) A creditor may require a reapplication regarding an open end account on the basis of a change in an applicant's marital status where the credit granted was based on income earned by the applicant's spouse if the applicant's income alone at the time of the original application would not support the amount of credit currently extended.

(d) **Signature of spouse or other person.** (1) Except as provided in this subsection, a creditor shall not require the signature of an applicant's spouse or other person, other than a joint applicant, on any credit instrument if the applicant qualifies under the creditor's standards of creditworthiness for the amount and terms of the credit requested.

(2) If an applicant requests unsecured credit and relies in part upon property to establish creditworthiness, a creditor may consider State law; the form of ownership of the property; its susceptibility to attachment, execution, severance, and partition; and other factors that may affect the value to the creditor of the applicant's interest in the property. If necessary to satisfy the creditor's standards of creditworthiness, the creditor may require the signature of the applicant's spouse or other person on any instrument necessary, or reasonably believed by the creditor to be necessary, under applicable State law to make the property relied upon available to satisfy the debt in the event of default.

(3) If a married applicant requests unsecured credit and resides in a community property State or if the property upon which the applicant is relying is located in such a State, a creditor may require the signature of the spouse on any instrument necessary, or reasonably believed by the creditor to be necessary, under applicable State law to make the community property available to satisfy the debt in the event of default if:

(i) applicable State law denies the applicant power to manage or control sufficient community property to qualify for the amount of credit requested under the creditor's standards of creditworthiness; and

(ii) the applicant does not have sufficient separate property to qualify for the amount of credit requested without regard to community property.

(4) If an applicant requests secured credit, a creditor may require the signature of the applicant's spouse or other person on any instrument necessary, or reasonably believed by the creditor to be necessary, under applicable State law to make the property being offered as security available to satisfy the debt in the event of default, for example, any instrument to create a valid lien, pass clear title, waive inchoate rights, or assign earnings.

(5) If, under a creditor's standards of creditworthiness, the personal liability of an additional party is necessary to support the extension of the credit requested,[10] a creditor may request that the applicant obtain a co-signer, guarantor, or the like. The applicant's spouse may serve as an additional party, but a creditor shall not require that the spouse be the additional party. For the purposes of subsection (d), a creditor shall not impose requirements upon an additional party that the creditor may not impose upon an applicant.

(e) **Insurance.** Differentiation in the availability, rates, and terms on which credit-related casualty insurance or credit life, health, accident, or disability insurance is offered or provided to an applicant shall not constitute a violation of the Act or this Part; but a creditor shall not refuse to extend credit and shall not terminate an account because credit life, health, accident, or disability insurance is not available on the basis of the applicant's age. Notwithstanding any other provision of this Part, information about the age, sex, or marital status of an applicant may be requested in an application for insurance.

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[10] If an applicant requests individual credit relying on the separate income of another person, a creditor may require the signature of the other person to make the income available to pay the debt.

SECTION 202.8—SPECIAL PURPOSE CREDIT PROGRAMS

(a) **Standards for programs.** Subject to the provisions of subsection (b), the Act and this Part are not violated if a creditor refuses to extend credit to an applicant solely because the applicant does not qualify under the special requirements that define eligibility for the following types of special purpose credit programs:

(1) any credit assistance program expressly authorized by Federal or State law for the benefit of an economically disadvantaged class of persons; or

(2) any credit assistance program offered by a not-for-profit organization, as defined under section 501(c) of the Internal Revenue Code of 1954, as amended, for the benefit of its members or for the benefit of an economically disadvantaged class of persons; or

(3) any special purpose credit program offered by a for-profit organization or in which such an organization participates to meet special social needs, provided that:

(i) the program is established and administered pursuant to a written plan that (A) identifies the class or classes of persons that the program is designed to benefit and (B) sets forth the procedures and standards for extending credit pursuant to the program; and

(ii) the program is established and administered to extend credit to a class of persons who, pursuant to the customary standards of creditworthiness used by the organization extending the credit, either probably would not receive such credit or probably would receive it on less favorable terms than are ordinarily available to other applicants applying to the organization for a similar type and amount of credit.

(b) **Applicability of other rules.** (1) All of the provisions of this Part shall apply to each of the special purpose credit programs described in subsection (a) to the extent that those provisions are not inconsistent with the provisions of this section.

(2) A program described in subsections (a)(2) or (a)(3) shall qualify as a special purpose credit program under subsection (a) only if it was established and is administered so as not to discriminate against an applicant on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract), income derived from a public assistance program, or good faith exercise of any right under the Consumer Credit Protection Act or any State law upon which an exemption has been granted therefrom by the Board; except that all program participants may be required to share one or more of those characteristics so long as the program was not established and is not administered with the purpose of evading the requirements of the Act or this Part.

(c) **Special rule concerning requests and use of information.** If all participants in a special purpose credit program described in subsection (a) are or will be required to possess one or more common characteristics relating to race, color, religion, national origin, sex, marital status, age, or receipt of income from a public assistance program and if the special purpose credit program otherwise satisfies the requirements of subsection (a), then, notwithstanding the prohibitions of sections 202.5 and 202.6, the creditor may request of an applicant and may consider, in determining eligibility for such program, information regarding the common characteristics required for eligibility. In such circumstances, the solicitation and consideration of that information shall not constitute unlawful discrimination for the purposes of the Act or this Part.

(d) **Special rule in the case of financial need.** If financial need is or will be one of the criteria for the extension of credit under a special purpose credit program described in subsection (a), then, notwithstanding the prohibitions of sections 202.5 and 202.6, the creditor may request and consider, in determining eligibility for such program, information regarding an applicant's marital status, income from alimony, child support, or separate maintenance, and the spouse's financial resources. In addition, notwithstanding the prohibitions of section 202.7(d), a creditor may obtain the signature of an applicant's spouse or other person on an application or credit instrument relating to a special purpose program if required by Federal or State law. In such circumstances, the solicitation and consideration of that information and the obtaining of a required signature shall not constitute unlawful discrimination for the purposes of the Act or this Part.

SECTION 202.9—NOTIFICATIONS

(a) **Notification of action taken, ECOA notice, and statement of specific reasons.**

(1) **Notification of action taken.** A creditor shall notify an applicant of action taken within:

(i) 30 days after receiving a completed application concerning the creditor's approval of, or adverse action regarding, the application (notification of approval may be express or by implication, where, for example, the applicant receives a credit card, money, property, or services in accordance with the application);

(ii) 30 days after taking adverse action on an uncompleted application;

(iii) 30 days after taking adverse action regarding an existing account; and

(iv) 90 days after the creditor has notified the applicant of an offer to grant credit other than in substantially the amount or on substantially the terms requested by the applicant if the applicant during those 90 days has not expressly accepted or used the credit offered.

(2) **Content of notification.** Any notification given to an applicant against whom adverse action is taken shall be in writing and shall contain: a statement of the action taken; a statement of the provisions of section 701(a) of the Act; the name and address of the Federal agency that administers compliance concerning the creditor giving the notification; and

(i) a statement of specific reasons for the action taken; or

(ii) a disclosure of the applicant's right to a statement of reasons within 30 days after receipt by the creditor of a request made within 60 days of such notification, the disclosure to include the name, address, and telephone number of the person or office from which the statement of reasons can be obtained. If the creditor chooses to provide the statement of reasons orally, the notification shall also include a disclosure of the applicant's right to have any oral statement of reasons confirmed in writing within 30 days after a written request for confirmation is received by the creditor.

(3) **Multiple applicants.** If there is more than one applicant, the notification need only be given to one of them, but must be given to the primary applicant where one is readily apparent.

(4) **Multiple creditors.** If a transaction involves more than one creditor and the applicant expressly accepts or uses the credit offered, this section does not require notification of adverse action by any creditor. If a transaction involves more than one creditor and either no credit is offered or the applicant does not expressly accept or use any credit offered, then each creditor taking adverse action must comply with this section. The required notification may be provided indirectly through a third party, which may be one of the creditors, provided that the identity of each creditor taking adverse action is disclosed. Whenever the notification is to be provided through a third party, a creditor shall not be liable for any act or omission of the third party that constitutes a violation of this section if the creditor accurately and in a timely manner provided the third party with the information necessary for the notification and was maintaining procedures reasonably adapted to avoid any such violation.

(b) **Form of ECOA notice and statement of specific reasons.**

(1) **ECOA notice.** A creditor satisfies the requirements of subsection (a)(2) regarding a statement of the provisions of section 701(a) of the Act and the name and address of the appropriate Federal enforcement agency if it provides the following notice, or one that is substantially similar:

> The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is (name and address as specified by the appropriate agency listed in Appendix A).

The sample notice printed above may be modified immediately following the required references to the Federal Act and enforcement agency to include references to any similar State statute or regulation and to a State enforcement agency.

(2) **Statement of specific reasons.** A statement of reasons for adverse action shall be sufficient if it is specific and indicates the principal reason(s) for the adverse action. A creditor may formulate its own statement of reasons in checklist or letter form or may use all or a portion of the sample form printed below, which, if properly completed, satisfies the requirements of subsection (a)(2)(i). Statements that the adverse action was based on the creditor's internal standards or pol-

icies or that the applicant failed to achieve the qualifying score on the creditor's credit scoring system are insufficient.

STATEMENT OF CREDIT DENIAL, TERMINATION, OR CHANGE

DATE ____________

Applicant's Name: ____________________

Applicant's Address: ____________________

____

Description of Account, Transaction, or Requested Credit: ____________________

____

Description of Adverse Action Taken:

____

____

PRINCIPAL REASON(S) FOR ADVERSE ACTION CONCERNING CREDIT

___ Credit application incomplete
___ Insufficient credit references
___ Unable to verify credit references
___ Temporary or irregular employment
___ Unable to verify employment
___ Length of employment
___ Insufficient income
___ Excessive obligations
___ Unable to verify income
___ Inadequate collateral
___ Too short a period of residence
___ Temporary residence
___ Unable to verify residence
___ No credit file
___ Insufficient credit file
___ Delinquent credit obligations
___ Garnishment, attachment, foreclosure, repossession, or suit
___ Bankruptcy
___ We do not grant credit to any applicant on the terms and conditions you request.
___ Other, specify: ____________________

____

DISCLOSURE OF USE OF INFORMATION OBTAINED FROM AN OUTSIDE SOURCE

___ Disclosure inapplicable
___ Information obtained in a report from a consumer reporting agency

Name: ____________________

____

Street address: ____________________

____

Telephone number: ____________________

___ Information obtained from an outside source other than a consumer reporting agency. Under the Fair Credit Reporting Act, you have the right to make a written request, within 60 days of receipt of this notice, for disclosure of the nature of the adverse information.

Creditor's name: ____________________

Creditor's address: ____________________

____

Creditor's telephone number: ____________

[Add ECOA Notice]

(3) **Other information.** The notification required by subsection (a)(1) may include other information so long as it does not detract from the required content. This notification also may be combined with any disclosures required under other titles of the Consumer Credit Protection Act or any other law, provided that all requirements for clarity and placement are satisfied; and it may appear on either or both sides of the paper if there is a clear reference on the front to any information on the back.

(c) **Oral notifications.** The applicable requirements of this section are satisfied by oral notifications (including statements of specific reasons) in the case of any creditor that did not receive more than 150 applications during the calendar year immediately preceding the calendar year in which the notification of adverse action is to be given to a particular applicant.

(d) **Withdrawn applications.** Where an applicant submits an application and the parties contemplate that the applicant will inquire about its status, if the creditor approves the application and the applicant has not inquired within 30 days after applying, then the creditor may treat the application as withdrawn and need not comply with subsection (a)(1).

(e) **Failure of compliance.** A failure to comply with this section shall not constitute a violation when caused by an inadvertent error; provided that, on discovering the error, the creditor corrects it as soon as possible and commences compliance with the requirements of this section.

(f) **Notification.** A creditor notifies an applicant when a writing addressed to the applicant is delivered or mailed to the applicant's last known address or, in the case of an oral notification, when the creditor communicates with the applicant.

SECTION 202.10—FURNISHING OF CREDIT INFORMATION

(a) **Accounts established on or after June 1, 1977.** (1) For every account established on or after June 1, 1977, a creditor that furnishes credit information shall:

(i) determine whether an account offered by the creditor is one that an applicant's spouse is permitted to use or upon which the spouses are contractually liable other than as guarantors, sureties, endorsers, or similar parties; and

(ii) designate any such account to reflect the fact of participation of both spouses.[11]

(2) Except as provided in subsection (3), if a creditor furnishes credit information concerning an account designated under this section (or designated prior to the effective date of this Part) to a consumer reporting agency, it shall furnish the information in a manner that will enable the agency to provide access to the information in the name of each spouse.

(3) If a creditor furnishes credit information concerning an account designated under this section (or designated prior to the effective date of this Part) in response to an inquiry regarding a particular applicant, it shall furnish the information in the name of the spouse about whom such information is requested.[12]

(b) **Accounts established prior to June 1, 1977.** For every account established prior to and in existence on June 1, 1977, a creditor that furnishes credit information shall either:

(1) not later than June 1, 1977

(i) determine whether the account is one that an applicant's spouse, if any, is permitted to use or upon which the spouses are contractually liable other than as guarantors, sureties, endorsers, or similar parties;

(ii) designate any such account to reflect the fact of participation of both spouses;[13] and

(iii) comply with the reporting requirements of subsections (a)(2) and (a)(3); or

(2) mail or deliver to all applicants, or all married applicants, in whose name an account is carried on the creditor's records one copy of the notice set forth below.[14] The notice may be mailed with a billing statement or other mailing. All such notices shall be mailed or delivered by October 1, 1977. As to open end accounts, this requirement may be satisfied by mailing one notice at any time prior to October 2, 1977, regarding each account for which a billing statement is sent between June 1 and October 1, 1977. The notice may be supplemented as necessary to permit identification of the account by the creditor or by a consumer reporting agency. A creditor need only send notices relating to those accounts on which it lacks the information necessary to make the proper designation regarding participation or contractual liability.

NOTICE

CREDIT HISTORY FOR MARRIED PERSONS

The Federal Equal Credit Opportunity Act prohibits credit discrimination on the basis of race, color, religion, national origin, sex, marital status, age (provided that a person has the capacity to enter into a binding contract); because all or part of a person's income derives from any public assistance program; or because a person in good faith has exercised any right under the Federal Consumer Credit Protection Act. Regulations under the Act give married persons the right to have credit information included in credit reports in the name of both the wife and the husband if both use or are responsible for the account. This right was created, in part, to insure that credit histories will be available to women who become divorced or widowed.

If your account with us is one that both husband and wife signed for or is an account that is being used by one of you who did not sign, then you are entitled to have us report credit information relating to the account in both your names. If you choose to have credit information concerning your account with us reported in both your names, please complete and sign the statement below and return it to us.

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[11] A creditor need not distinguish between participation as a user or as a contractually liable party.

[12] If a creditor learns that new parties have undertaken payment on an account, then the subsequent history of the account shall be furnished in the names of the new parties and need not continue to be furnished in the names of the former parties.

[13] See footnote 11.

[14] A creditor may delete the references to the "use" of an account when providing notices regarding closed end accounts.

Federal regulations provide that signing your name below will not change your or your spouse's legal liability on the account. Your signature will only request that credit information be reported in both your names.

If you do not complete and return the form below, we will continue to report your credit history in the same way that we do now.

When you furnish credit information on this account, please report all information concerning the account in both our names.

Account number Print or type name

Print or type name

Signature of either spouse

(c) **Requests to change manner in which information is reported.** Within 90 days after receipt of a properly completed request to change the manner in which information is reported to consumer reporting agencies and others regarding an account described in subsection (b), a creditor shall designate the account to reflect the fact of participation of both spouses.[15] When furnishing information concerning any such account, the creditor shall comply with the reporting requirements of subsections (a)(2) and (a)(3). The signature of an applicant or the applicant's spouse on a request to change the manner in which information concerning an account is furnished shall not alter the legal liability of either spouse upon the account or require the creditor to change the name in which the account is carried.

(d) **Inadvertent errors.** A failure to comply with this section shall not constitute a violation when caused by an inadvertent error; provided that, on discovering the error, the creditor corrects it as soon as possible and commences compliance with the requirements of this section.

SECTION 202.11—RELATION TO STATE LAW

(a) **Inconsistent State laws.** Except as otherwise provided in this section, this Part alters, affects, or preempts only those State laws that are inconsistent with this Part and then only to the extent of the inconsistency. A State law is not inconsistent with this Part if it is more protective of an applicant.

(b) **Preempted provisions of State law.** (1) State law is deemed to be inconsistent with the requirements of the Act and this Part and less protective of an applicant within the meaning of section 705(f) of the Act to the extent that such law:

(i) requires or permits a practice or act prohibited by the Act or this Part;

(ii) prohibits the individual extension of consumer credit to both parties to a marriage if each spouse individually and voluntarily applies for such credit;

(iii) prohibits inquiries or collection of data required to comply with the Act or this Part;

(iv) prohibits asking age or considering age in a demonstrably and statistically sound, empirically derived credit system, to determine a pertinent element of creditworthiness, or to favor an elderly applicant; or

(v) prohibits inquiries necessary to establish or administer a special purpose credit program as defined by section 202.8.

(2) A determination as to whether a State law is inconsistent with the requirements of the Act and this Part will be made only in response to a request for a formal Board interpretation. All requests for such interpretations, in addition to meeting the requirements of section 202.1(d), shall comply with the applicable provisions of subsections (b)(1) and (2) of Supplement I to this Part. A determination shall be based on the factors enumerated in this subsection and, as applicable, subsection (c) of Supplement I. Notice of the interpretation shall be provided as specified in subsection (e)(1) of Supplement I, but the interpretation shall be effective in accordance with section 202.1. The interpretation shall be subject to revocation or modification at any time, as provided in subsection (g)(4) of Supplement I.

(c) **Finance charges and loan ceilings.** If married applicants voluntarily apply for and obtain individual accounts with the same creditor, the accounts shall not be aggregated or otherwise combined for purposes of determining permissible finance charges or permissible loan ceilings under any Federal or State law. Permissible loan ceiling laws shall be construed to permit each spouse to become individually liable up to the amount of the loan ceilings, less the amount for which the applicant is jointly liable.[16]

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[15] See footnote 11.

(d) **State and Federal laws not affected.** This section does not alter or annul any provision of State property laws, laws relating to the disposition of decedents' estates, or Federal or State banking regulations directed only toward insuring the solvency of financial institutions.

(e) **Exemption for State regulated transactions.** (1) In accordance with the provisions of Supplement I to this Part, any State may apply to the Board for an exemption from the requirements of sections 701 and 702 of the Act and the corresponding provisions of this Part for any class of credit transactions within the State. The Board will grant such an exemption if:

(i) the Board determines that, under the law of that State, that class of credit transactions is subject to requirements substantially similar to those imposed under sections 701 and 702 of the Act and the corresponding provisions of this Part, or that applicants are afforded greater protection than is afforded under sections 701 and 702 of the Act and the corresponding provisions of this Part; and

(ii) there is adequate provision for State enforcement.

(2) In order to assure that the concurrent jurisdiction of Federal and State courts created in section 706(f) of the Act will continue to have substantive provisions to which such jurisdiction shall apply; to allow Federal enforcement agencies to retain their authority regarding any class of credit transactions exempted pursuant to subsection (e)(1) and Supplement I; and, generally, to aid in implementing the Act:

(i) no such exemption shall be deemed to extend to the civil liability provisions of sections 706 or the administrative enforcement provisions of section 704 of the Act; and

(ii) after an exemption has been granted, the requirements of the applicable State law shall constitute the requirements of the Act and this Part, except to the extent such State law imposes requirements not imposed by the Act or this Part.

(3) Exemptions granted by the Board to particular classes of credit transactions within specified States will be set forth in Supplement II to this Part.

SECTION 202.12—RECORD RETENTION

(a) **Retention of prohibited information.** Retention in a creditor's files of any information, the use of which in evaluating applications is prohibited by the Act or this Part, shall not constitute a violation of the Act or this Part where such information was obtained:

(1) from any source prior to March 23, 1977;[17] or

(2) at any time from consumer reporting agencies; or

(3) at any time from an applicant or others without the specific request of the creditor; or

(4) at any time as required to monitor compliance with the Act and this Part or other Federal or State statutes or regulations.

(b) **Preservation of records.** (1) For 25 months after the date that a creditor notifies an applicant of action taken on an application, the creditor shall retain as to that application in original form or a copy thereof:[18]

(i) any application form that it receives, any information required to be obtained concerning characteristics of an applicant to monitor compliance with the Act and this Part or other similar law, and any other written or recorded information used in evaluating the application and not returned to the applicant at the applicant's request;

(ii) a copy of the following documents if furnished to the applicant in written form (or, if furnished orally, any notation or memorandum with respect thereto made by the creditor):

(A) the notification of action taken; and

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[16] For example, in a State with a permissible loan ceiling of $1,000, if a married couple were jointly liable for unpaid debt in the amount of $250, each spouse could subsequently become individually liable for $750.

[17] Pursuant to the October 28, 1975 version of Regulation B, the applicable date for sex and marital status information is June 30, 1976.

[18] "A copy thereof" includes carbon copies, photocopies, microfilm or microfiche copies, or copies produced by any accurate information retrieval system. A creditor who uses a computerized or mechanized system need not keep a written copy of a document if it can regenerate the precise text of the document upon request.

(B) the statement of specific reasons for adverse action; and

(iii) any written statement submitted by the applicant alleging a violation of the Act or this Part.

(2) For 25 months after the date that a creditor notifies an applicant of adverse action regarding an account, other than in connection with an application, the creditor shall retain as to that account, in original form or a copy thereof:[19]

(i) any written or recorded information concerning such adverse action; and

(ii) any written statement submitted by the applicant alleging a violation of the Act or this Part.

(3) In addition to the requirements of subsections (b)(1) and (2), any creditor that has actual notice that it is under investigation or is subject to an enforcement proceeding for an alleged violation of the Act or this Part by an enforcement agency charged with monitoring that creditor's compliance with the Act and this Part, or that has been served with notice of an action filed pursuant to section 706 of the Act and sections 202.1(b) or (c) of this Part, shall retain the information required in subsections (b)(1) and (2) until final disposition of the matter, unless an earlier time is allowed by order of the agency or court.

(4) In any transaction involving more than one creditor, any creditor not required to comply with section 202.9 (notifications) shall retain for the time period specified in subsection (b) all written or recorded information in its possession concerning the applicant, including a notation of action taken in connection with any adverse action.

(c) **Failure of compliance.** A failure to comply with this section shall not constitute a violation when caused by an inadvertent error.

SECTION 202.13—INFORMATION FOR MONITORING PURPOSES

(a) **Scope and information requested.** (1) For the purpose of monitoring compliance with the provisions of the Act and this Part, any creditor that receives an application for consumer credit relating to the purchase of residential real property, where the extension of credit is to be secured by a lien on such property, shall request as part of any written application for such credit the following information regarding the applicant and joint applicant (if any):

(i) race/national origin, using the categories American Indian or Alaskan Native; Asian or Pacific Islander; Black; White; Hispanic; Other (Specify);

(ii) sex;

(iii) marital status, using the categories married, unmarried, and separated; and

(iv) age.

(2) "Residential real property" means improved real property used or intended to be used for residential purposes, including single family homes, dwellings for from two to four families, and individual units of condominiums and cooperatives.

(b) **Method of obtaining information.** Questions regarding race/national origin, sex, marital status, and age may be listed, at the creditor's option, either on the application form or on a separate form that refers to the application.

(c) **Disclosure to applicant and joint applicant.** The applicant and joint applicant (if any) shall be informed that the information regarding race/national origin, sex, marital status, and age is being requested by the Federal government for the purpose of monitoring compliance with Federal anti-discrimination statutes and that those statutes prohibit creditors from discriminating against applicants on those bases. The applicant and joint applicant shall be asked, but not required, to supply the requested information. If the applicant or joint applicant chooses not to provide the information or any part of it, that fact shall be noted on the form on which the information is obtained.

(d) **Substitute monitoring program.** Any monitoring program required by an agency charged with administrative enforcement under section 704 of the Act may be substituted for the requirements contained in subsections (a), (b), and (c).

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[19] See footnote 18.

STATUTORY APPENDIX

Equal Credit Opportunity Act (as amended
March 23, 1976)

TITLE V—PUBLIC LAW 93–495

Sec.

502. Findings and purpose.
503. Amendment to the Consumer Credit Protection Act.

§ 502. Findings and purpose

The Congress finds that there is a need to insure that the various financial institutions and other firms engaged in the extensions of credit exercise their responsibility to make credit available with fairness, impartiality, and without discrimination on the basis of sex or marital status. Economic stabilization would be enhanced and competition among the various financial institutions and other firms engaged in the extension of credit would be strengthened by an absence of discrimination on the basis of sex or marital status, as well as by the informed use of credit which Congress has heretofore sought to promote. It is the purpose of this Act to require that financial institutions and other firms engaged in the extension of credit make that credit equally available to all creditworthy customers without regard to sex or marital status.

§ 503. Amendment to the Consumer Credit Protection Act

The Consumer Credit Protection Act (Public Law 90–321) is amended by adding at the end thereof a new title VII:

TITLE VII—EQUAL CREDIT OPPORTUNITY

Sec.

701. Prohibited discrimination; reasons for adverse action.
702. Definitions.
703. Regulations.
704. Administrative enforcement.
705. Relation to State laws.
706. Civil liability.
707. Annual reports to Congress.
708. Effective date.
709. Short title.

§ 701. Prohibited discrimination; reasons for adverse action*

(a) It shall be unlawful for any creditor to discriminate against any applicant, with respect to any aspect of a credit transaction—

(1) on the basis of race, color, religion, national origin, sex or marital status, or age (provided the applicant has the capacity to contract);

(2) because all or part of the applicant's income derives from any public assistance program; or

(3) because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

(b) It shall not constitute discrimination for purposes of this title for a creditor—

(1) to make an inquiry of marital status if such inquiry is for the purpose of ascertaining the creditor's rights and remedies applicable to the particular extension of credit and not to discriminate in a determination of creditworthiness;

(2) to make an inquiry of the applicant's age or of whether the applicant's income derives from any public assistance program if such inquiry is for the purpose of determining the amount and probable continuance of income levels, credit history, or other pertinent element of creditworthiness as provided in regulations of the Board;

(3) to use any empirically derived credit system which considers age if such system is demonstrably and statistically sound in accordance with regulations of the Board, except that in the operation of such system the age of an elderly applicant may not be assigned a negative factor or value; or

(4) to make an inquiry or to consider the age of an elderly applicant when the age of such applicant is to be used by the creditor in the extension of credit in favor of such applicant.

(c) It is not a violation of this section for a creditor to refuse to extend credit offered pursuant to—

(1) any credit assistance program expressly authorized by law for an economically disadvantaged class of persons;

(2) any credit assistance program administered by a nonprofit organization for its members or an economically disadvantaged class of persons; or

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* Effective date for amendments to section 701 is March 23, 1977. All other amendments are effective upon enactment.

(3) any special purpose credit program offered by a profitmaking organization to meet special social needs which meets standards prescribed in regulations by the Board;

if such refusal is required by or made pursuant to such program.

(d)(1) Within thirty days (or such longer reasonable time as specified in regulations of the Board for any class of credit transaction) after receipt of a completed application for credit, a creditor shall notify the applicant of its action on the application.

(2) Each applicant against whom adverse action is taken shall be entitled to a statement of reasons for such action from the creditor. A creditor satisfies this obligation by—

(A) providing statements of reasons in writing as a matter of course to applicants against whom adverse action is taken; or

(B) giving written notification of adverse action which discloses (i) the applicant's right to a statement of reasons within thirty days after receipt by the creditor of a request made within sixty days after such notification, and (ii) the identity of the person or office from which such statement may be obtained. Such statement may be given orally if the written notification advises the applicant of his right to have the statement of reasons confirmed in writing on written request.

(3) A statement of reasons meets the requirements of this section only if it contains the specific reasons for the adverse action taken.

(4) Where a creditor has been requested by a third party to make a specific extension of credit directly or indirectly to an applicant, the notification and statement of reasons required by this subsection may be made directly by such creditor, or indirectly through the third party, provided in either case that the identity of the creditor is disclosed.

(5) The requirements of paragraph (2), (3), or (4) may be satisfied by verbal statements or notifications in the case of any creditor who did not act on more than 150 applications during the calendar year preceding the calendar year in which the adverse action is taken, as determined under regulations of the Board.

(6) For purposes of this subsection, the term "adverse action" means a denial or revocation of credit, a change in the terms of an existing credit arrangement, or a refusal to grant credit in substantially the amount or on substantially the terms requested. Such term does not include a refusal to extend additional credit under an existing credit arrangement where the applicant is delinquent or otherwise in default, or where such additional credit would exceed a previously established credit limit.

§ 702. Definitions

(a) The definitions and rules of construction set forth in this section are applicable for the purposes of this title.

(b) The term "applicant" means any person who applies to a creditor directly for an extension, renewal, or continuation of credit, or applies to a creditor indirectly by use of an existing credit plan for an amount exceeding a previously established credit limit.

(c) The term "Board" refers to the Board of Governors of the Federal Reserve System.

(d) The term "credit" means the right granted by a creditor to a debtor to defer payment of debt or to incur debt and defer its payment or to purchase property or services and defer payment therefor.

(e) The term "creditor" means any person who regularly extends, renews, or continues credit; any person who regularly arranges for the extension, renewal, or continuation of credit; or any assignee of an original creditor who participates in the decision to extend, renew, or continue credit.

(f) The term "person" means a natural person, a corporation, government or governmental subdivision or agency, trust, estate, partnership, cooperative, or association.

(g) Any reference to any requirement imposed under this title or any provision thereof includes reference to the regulations of the Board under this title or the provision thereof in question.

§ 703. Regulations

(a) The Board shall prescribe regulations to carry out the purposes of this title. These regulations may contain but are not limited to such classifications, differentiation, or other provision, and may provide for such adjustments and exceptions for any class of transactions, as in the judgment of the Board are necessary or proper to effectuate the purposes of this title, to prevent circumvention or evasion thereof, or to facilitate or substantiate compliance therewith. In particular, such regulations may exempt from one or more of the provisions of this title any class of transactions not primarily for personal, family, or household purposes, if the Board makes an express finding that the application of such provision or provisions would not contribute substantially to carrying out the purposes of this title. Such regulations shall be prescribed as soon as possible after the date of enactment of this Act, but in no event later than the effective date of this Act.

(b) The Board shall establish a Consumer Advisory Council to advise and consult with it in the exercise of its functions under the Consumer Credit Protection Act and to advise and consult with it concerning other consumer related matters it may place before the Council. In appointing the members of the Council, the Board shall seek to achieve a fair representation of the interests of creditors and consumers. The Council shall meet from time to time at the call of the Board. Members of the Council who are not regular full-time employees of the United States shall, while attending meetings of such Council, be entitled to receive compensation at a rate fixed by the Board, but not exceeding $100 per day, including travel time. Such members may be allowed travel expenses, including transportation and subsistence, while away from their homes or regular place of business.

§ 704. Administrative enforcement

(a) Compliance with the requirements imposed under this title shall be enforced under:

(1) Section 8 of the Federal Deposit Insurance Act, in the case of—

(A) national banks, by the Comptroller of the Currency;

(B) member banks of the Federal Reserve System (other than national banks), by the Board;

(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System), by the Board of Directors of the Federal Deposit Insurance Corporation.

(2) Section 5(d) of the Home Owners' Loan Act of 1933, section 407 of the National Housing Act, and sections 6(i) and 17 of the Federal Home Loan Bank Act, by the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), in the case of any institution subject to any of those provisions.

(3) The Federal Credit Union Act, by the Administrator of the National Credit Union Administration with respect to any Federal Credit Union.

(4) The Acts to regulate commerce, by the Interstate Commerce Commission with respect to any common carrier subject to those Acts.

(5) The Federal Aviation Act of 1958, by the Civil Aeronautics Board with respect to any air carrier or foreign air carrier subject to that Act.

(6) The Packers and Stockyards Act, 1921 (except as provided in section 406 of that Act), by the Secretary of Agriculture with respect to any activities subject to that Act.

(7) The Farm Credit Act of 1971, by the Farm Credit Administration with respect to any Federal land bank, Federal land bank association, Federal intermediate credit bank, and production credit association.

(8) The Securities Exchange Act of 1934, by the Securities and Exchange Commission with respect to brokers and dealers; and

(9) The Small Business Investment Act of 1958, by the Small Business Administration, with respect to small business investment companies.

(b) For the purpose of the exercise by any agency referred to in subsection (a) of its powers under any Act referred to in that subsection, a violation of any requirement imposed under this title shall be deemed to be a violation of a requirement imposed under that Act. In addition to its powers under any provision of law specifically referred to in subsection (a), each of the agencies referred to in that subsection may exercise for the purpose of enforcing compliance with any requirement imposed under this title, any other authority conferred on it by law. The exercise of the authorities of any of the agencies referred to in subsection (a) for the purpose of enforcing compliance with any requirement imposed under this title shall in no way preclude the exercise of such authorities for the purpose of enforcing compliance with any other provision of law not relating to the prohibition of discrimination on the basis of sex or marital status with respect to any aspect of a credit transaction.

(c) Except to the extent that enforcement of the requirements imposed under this title is specifically committed to some other Government agency under subsection (a), the Federal Trade Commission shall enforce such requirements. For the purpose of the exercise by the Federal Trade Commission of its functions and powers under the Federal Trade Commission Act, a violation of any requirement imposed under this title shall be deemed a violation of a requirement imposed under that Act. All of the functions and powers of the Federal Trade Commission under the Federal Trade Commission Act are available to the Commission to enforce compliance by any person with the requirements imposed under this title, irrespective of whether that person is engaged in commerce or meets any other jurisdictional tests in the Federal Trade Commission Act, including the power to enforce any Federal Reserve Board regulation promulgated under this title in the same manner as if the violation had been a violation of a Federal Trade Commission trade regulation rule.

(d) The authority of the Board to issue regulations under this title does not impair the authority of any other agency designated in this section to make rules respecting its own procedures in enforcing compliance with requirements imposed under this title.

§ 705. Relation to State laws

(a) A request for the signature of both parties to a marriage for the purpose of creating a valid lien, passing clear title, waiving inchoate rights to property, or assigning earnings, shall not constitute discrimination under this title: *Provided, however*, That this provision shall not be construed to permit a creditor to take sex or marital status into account in connection with the evaluation of creditworthiness of any applicant.

(b) Consideration or application of State property laws directly or indirectly affecting creditworthiness shall not constitute discrimination for purposes of this title.

(c) Any provision of State law which prohibits the separate extension of consumer credit to each party to a marriage shall not apply in any case where each party to a marriage voluntarily applies for separate credit from the same creditor: *Provided*, That in any case where such a State law is so preempted, each party to the marriage shall be solely responsible for the debt so contracted.

(d) When each party to a marriage separately and voluntarily applies for and obtains separate credit accounts with the same creditor, those accounts shall not be aggregated or otherwise combined for purposes of determining permissible finance charges or permissible loan ceilings under the laws of any State or of the United States.

(e) Where the same act or omission constitutes a violation of this title and of applicable State law, a person aggrieved by such conduct may bring a legal action to recover monetary damages either under this title or under such State law, but not both. This election of remedies shall not apply to court actions in which the relief sought does not include monetary damages or to administrative actions.

(f) This title does not annul, alter, or affect, or exempt any person subject to the provisions of this title from complying with, the laws of any State with respect to credit discrimination, except to the extent that those laws are inconsistent with any provision of this title, and then only to the extent of the inconsistency. The Board is authorized to determine whether such inconsistencies exist. The Board may not determine that any State law is inconsistent with any provision of this title if the Board determines that such law gives greater protection to the applicant.

(g) The Board shall by regulation exempt from the requirements of sections 701 and 702 of this title any class of credit transactions within any State if it determines that under the law of that State that class of transactions is subject to requirements substantially similar to those imposed under this title or that such law gives greater protection to the applicant, and that there is adequate provision for enforcement. Failure to comply with any requirement of such State law in any transaction so exempted shall constitute a violation of this title for the purposes of section 706.

§ 706. Civil liability

(a) Any creditor who fails to comply with any requirement imposed under this title shall be liable to the aggrieved applicant for any actual damages sustained by such applicant acting either in an individual capacity or as a member of a class.

(b) Any creditor, other than a government or governmental subdivision or agency, who fails to comply with any requirement imposed under this title shall be liable to the aggrieved applicant for punitive damages in an amount not greater than $10,000, in addition to any actual damages provided in subsection (a), except that in the case of a class action the total recovery under this subsection shall not exceed the lesser of $500,000 or 1 per centum of the net worth of the creditor. In determining the amount of such damages in any action, the court shall consider, among other relevant factors, the amount of any actual damages awarded, the frequency and persistence of failures of compliance by the creditor, the resources of the creditor, the number of persons adversely affected, and the extent to which the creditor's failure of compliance was intentional.

(c) Upon application by an aggrieved applicant, the appropriate United States district court or any other court of competent jurisdiction may grant such equitable and declaratory relief as is necessary to enforce the requirements imposed under this title.

(d) In the case of any successful action under subsection (a), (b), or (c), the costs of the action, together with a reasonable attorney's fee as determined by the court, shall be added to any damages awarded by the court under such subsection.

(e) No provision of this title imposing any liability shall apply to any act done or omitted in good faith in conformity with any official rule, regulation, or interpretation thereof by the Board or in conformity with any interpretation or approval by an official or employee of the Federal Reserve System duly authorized by the Board to issue such interpretations or approvals under such procedures as the Board may prescribe therefor, notwithstanding that after such act or omission has occurred, such rule, regulation, interpretation, or approval is amended, rescinded, or determined by judicial or other authority to be invalid for any reason.

(f) Any action under this section may be brought in the appropriate United States district court without regard to the amount in controversy, or in any other court of competent jurisdiction. No such action shall be brought later than two years from the date of the occurrence of the violation, except that—

(1) whenever any agency having responsibility for administrative enforcement under section 704 commences an enforcement proceeding within two years from the date of the occurrence of the violation,

(2) whenever the Attorney General commences a civil action under this section within two years from the date of occurrence of the violation,

then any applicant who has been a victim of the discrimination which is the subject of such proceeding or civil action may bring an action under this section not later than one year after the commencement of that proceeding or action.

(g) The agencies having responsibility for administrative enforcement under section 704, if unable to obtain compliance with section 701, are authorized to refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted.

(h) When a matter is referred to the Attorney General pursuant to subsection (g), or whenever he has reason to believe that one or more creditors are engaged in a pattern or practice in violation of this title, the Attorney General may bring a civil action in any appropriate United States district court for such relief as may be appropriate, including injunctive relief.

(i) No person aggrieved by a violation of this title and by a violation of section 805 of the Civil Rights Act of 1968 shall recover under this title and section 812 of the Civil Rights Act of 1968, if such violation is based on the same transaction.

(j) Nothing in this title shall be construed to prohibit the discovery of a creditor's credit granting standards under appropriate discovery procedures in the court or agency in which an action or proceeding is brought.

§ 707. Annual reports to Congress

Not later than February 1 of each year after 1976, the Board and the Attorney General shall, respectively, make reports to the Congress concerning the administration of their functions under this title, including such recommendations as the Board and the Attorney General, respectively, deem necessary or appropriate. In addition, each report of the Board shall include its assessment of the extent to which compliance with the requirements of this title is being achieved, and a summary of the enforcement actions taken by each of the agencies assigned administrative enforcement responsibilities under section 704.

§ 708. Effective date

This title takes effect upon the expiration of one year after the date of its enactment. The amendments made by the Equal Credit Opportunity Act Amendments of 1976 shall take effect on the date of enactment thereof and shall apply to any violation occurring on or after such date, except that the amendments made to section 701 of the Equal Credit Opportunity Act shall take effect 12 months after the date of enactment.

§ 709. Short title

This title may be cited as the "Equal Credit Opportunity Act."

APPENDIX A

FEDERAL ENFORCEMENT AGENCIES

The following list indicates which Federal agency enforces Regulation B for particular classes of creditors. Any questions concerning a particular creditor should be directed to its enforcement agency.

National Banks

Comptroller of the Currency
Consumer Affairs Division
Washington, D.C. 20219

State Member Banks

Federal Reserve Bank serving the district in which the State member bank is located.

Nonmember Insured Banks

Federal Deposit Insurance Corporation Regional Director for the region in which the nonmember insured bank is located.

Savings Institutions Insured by the FSLIC and Members of the FHLB System (except for Savings Banks insured by FDIC)

The Federal Home Loan Bank Board Supervisory Agent in the district in which the institution is located.

Federal Credit Unions

Regional office of the National Credit Union Administration serving the area in which the Federal credit union is located.

Creditors Subject to Civil Aeronautics Board

Director, Bureau of Enforcement
Civil Aeronautics Board
1825 Connecticut Avenue, N.W.
Washington, D.C. 20428

Creditors Subject to Interstate Commerce Commission

Office of Proceedings
Interstate Commerce Commission
Washington, D.C. 20523

Creditors Subject to Packers and Stockyards Act

Nearest Packers and Stockyards Administration area supervisor.

Small Business Investment Companies

U.S. Small Business Administration
1441 L Street, N.W.
Washington, D.C. 20416

Brokers and Dealers

Securities and Exchange Commission
Washington, D.C. 20549

Federal Land Banks, Federal Land Bank Associations, Federal Intermediate Credit Banks and Production Credit Associations

Farm Credit Administration
490 L'Enfant Plaza, S.W.
Washington, D.C. 20578

Retail, Department Stores, Consumer Finance Companies, All Other Creditors, and All Nonbank Credit Card Issuers (Creditors operating on a local or regional basis should use the address of the FTC Regional Office in which they operate.)
Federal Trade Commission
Equal Credit Opportunity
Washington, D.C. 20580

APPENDIX B

MODEL APPLICATION FORMS

This Appendix contains five model credit application forms, each designed for use in a particular type of consumer credit transaction as indicated by the bracketed caption on each form (which should be removed prior to reproduction). The first sample form is intended for use in open end, unsecured transactions; the second for closed end, secured transactions; the third for closed end transactions, whether unsecured or secured; the fourth for use in transactions involving community property or occurring in community property States; and the fifth for use in secured residential real estate transactions. The real estate form should be used only when a lender's representative is available to assist an applicant in completing the form.

The forms contained in this Appendix are models; their use by creditors is optional. In all instances, the use or modification of these forms is governed by section 202.5(e) of this Part and the directions contained in this Appendix.

In addition to deleting any information request printed on the forms or rearranging their format, as specified in section 202.5(e), a creditor is expressly permitted to modify any of the model forms contained in this Appendix by adding any of the following three items:

(1) an inquiry about the names in which an applicant has previously received credit as authorized in section 202.5(c)(3);

(2) a request to designate a courtesy title as authorized in section 202.5(d)(3); or

(3) an inquiry about an applicant's permanent residence and United States immigration status as authorized by section 202.5(d)(5).

The fifth form contained in this Appendix, the model residential real estate mortgage loan application, was prepared in conjunction with the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. It is substantially identical to the joint FHLMC 65/FNMA 1003 (Rev. 3/77) form, except for type face and the inclusion on the FHLMC/FNMA form of certain items required by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association. If a creditor wishes to participate in the secondary mortgage market involving the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association, it should either modify the model form as specified by the Federal Home Loan Mortgage Corporation and Federal National Mortgage Association or use form FHLMC 65/FNMA 1003 (Rev. 3/77) with supporting schedule FHLMC 65A/FNMA 1003A. Use of the FHLMC 65/FNMA 1003 (Rev. 3/77) form constitutes full compliance with subsections (c) and (d) of section 202.5 of this Part.

[Open end, unsecured credit]

CREDIT APPLICATION

IMPORTANT: Read these Directions before completing this Application.

Check Appropriate Box

☐ If you are applying for an individual account in your own name and are relying on your own income or assets and not the income or assets of another person as the basis for repayment of the credit requested, complete only Sections A and D.

☐ If you are applying for a joint account or an account that you and another person will use, complete all Sections, providing information in B about the joint applicant or user.

☐ If you are applying for an individual account, but are relying on income from alimony, child support, or separate maintenance or on the income or assets of another person as the basis for repayment of the credit requested, complete all Sections to the extent possible, providing information in B about the person on whose alimony, support, or maintenance payments or income or assets you are relying.

SECTION A—INFORMATION REGARDING APPLICANT

Full Name (Last, First, Middle): Birthdate: / /
Present Street Address: Years there:
City: State: Zip: Telephone:
Social Security No.: Driver's License No.:
Previous Street Address: Years there:
City: State: Zip:
Present Employer: Years there: Telephone:
Position or title: Name of supervisor:
Employer's Address:
Previous Employer: Years there:
Previous Employer's Address:
Present net salary or commission: $ per . No. Dependents: Ages:

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Alimony, child support, separate maintenance received under: court order ☐ written agreement ☐ oral understanding ☐

Other income: $ per . Source(s) of other income:

Is any income listed in this Section likely to be reduced in the next two years?
☐ Yes (Explain in detail on a separate sheet.) No ☐
Have you ever received credit from us? When? Office:
Checking Account No.: Institution and Branch:
Savings Account No.: Institution and Branch:
Name of nearest relative not living with you: Telephone:
Relationship: Address:

SECTION B—INFORMATION REGARDING JOINT APPLICANT, USER, OR OTHER PARTY (Use separate sheets if necessary.)

Full Name (Last, First, Middle): Birthdate: / /
Relationship to Applicant (if any):
Present Street Address: Years there:
City: State: Zip: Telephone:
Social Security No.: Driver's License No.:
Present Employer: Years there: Telephone:
Position or title: Name of supervisor:
Employer's Address:
Previous Employer: Years there:
Previous Employer's Address:
Present net salary or commission: $ per . No. Dependents: Ages:

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Alimony, child support, separate maintenance received under: court order ☐ written agreement ☐ oral understanding ☐

Other income: $ per . Source(s) of other income:

Is any income listed in this Section likely to be reduced in the next two years?
☐ Yes (Explain in detail on a separate sheet.) ☐ No
Checking Account No.: Institution and Branch:
Savings Account No.: Institution and Branch:
Name of nearest relative not living with Joint Applicant, User, or Other Party: Telephone:
Relationship: Address:

SECTION C—MARITAL STATUS

(Do not complete if this is an application for an individual account.)

Applicant: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)
Other Party: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)

SECTION D—ASSET AND DEBT INFORMATION (If Section B has been completed, this Section should be completed giving information about both the Applicant and Joint Applicant, User, or Other Person. Please mark Applicant-related information with an "A." If Section B was not completed, only give information about the Applicant in this Section.)

ASSETS OWNED **(Use separate sheet if necessary.)**

Description of Assets	Value	Subject to Debt? Yes/No	Name(s) of Owner(s)
Cash	$		
Automobiles (Make, Model, Year)			
Cash Value of Life Insurance (Issuer, **Face Value)**			
Real Estate (Location, Date Acquired)			
Marketable Securities (Issuer, Type, No. of Shares)			
Other (List)			
Total Assets	$		

OUTSTANDING DEBTS (Include charge accounts, instalment contracts, credit cards, rent, mortgages, etc. Use separate sheet if necessary.)

Creditor	Type of Debt or Acct. No.	Name in Which Acct. Carried	Original Debt	Present Balance	Monthly Payments	Past Due? Yes/No
1. (Landlord or Mortgage Holder)	☐ Rent Payment ☐ Mortgage		$ (Omit rent)	$ (Omit rent)	$	
2.						
3.						
4.						
5.						
6.						
Total Debts			$	$	$	

(Credit References) Date Paid

1 $

2.

Are you a co-maker, endorser, or guarantor on any loan or contract? Yes ☐ No ☐ If "yes" for whom? To whom?

Are there any unsatisfied judgments against you? Yes ☐ No ☐ Amount $ If "yes" to whom owed?

Have you been declared bankrupt in the last 14 years? Yes ☐ No ☐ If "yes" where? Year

Other Obligations—(E.g., liability to pay alimony, child support, separate maintenance. Use separate sheet if necessary.)

Everything that I have stated in this application is correct to the best of my knowledge. I understand that you will retain this application whether or not it is approved. You are authorized to check my credit and employment history and to answer questions about your credit experience with me.

Applicant's Signature **Date** Other Signature (Where Applicable) **Date**

[Closed end, secured credit]

CREDIT APPLICATION

IMPORTANT: Read these Directions before completing this Application.

Check Appropriate Box

☐ If you are applying for individual credit in your own name and are relying on your own income or assets and not the income or assets of another person as the basis for repayment of the credit requested, complete Sections A, C, D, and E, omitting B and the second part of C.

☐ If this is an application for joint credit with another person, complete all Sections, providing information in B about the joint applicant.

☐ If you are applying for individual credit, but are relying on income from alimony, child support, or separate maintenance or on the income or assets of another person as the basis for repayment of the credit requested, complete all Sections to the extent possible, providing information in B about the person on whose alimony, support, or maintenance payments or income or assets you are relying.

Amount Requested Payment Date Desired Proceeds of Credit
$ To be Used For

SECTION A—INFORMATION REGARDING APPLICANT

Full Name (Last, First, Middle): Birthdate: / /
Present Street Address: Years there:
City: State: Zip: Telephone:
Social Security No.: Driver's License No.:
Previous Street Address: Years there:
City: State: Zip:
Present Employer Years there: Telephone:
Position or title: Name of supervisor:
Employer's Address:
Previous Employer: Years there:
Previous Employer's Address:
Present net salary or commission: $ per . No. Dependents: Ages:

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Alimony, child support, separate maintenance received under: court order ☐ written agreement ☐ oral understanding ☐

Other income: $ per . Source(s) of other income:

Is any income listed in this Section likely to be reduced before the credit requested is paid off?
☐ Yes (Explain in detail on a separate sheet.) No ☐
Have you ever received credit from us? When? Office:
Checking Account No. Institution and Branch:
Savings Account No. Institution and Branch:
Name of nearest relative not living with you: Telephone:
Relationship: Address:

SECTION B—INFORMATION REGARDING JOINT APPLICANT OR OTHER PARTY (Use separate sheets if necessary.)

Full Name (Last, First, Middle): Birthdate: / /
Relationship to Applicant (if any):
Present Street Address: Years there:
City: State: Zip Telephone:
Social Security No.: Driver's License No.:
Present Employer: Years there: Telephone:
Position or title: Name of supervisor:
Employer's Address:
Previous Employer: Years there:
Previous Employer's Address:
Present net salary or commission: $ per . No. Dependents: Ages:

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Alimony, child support, separate maintenance received under: court order ☐ written agreement ☐ oral understanding ☐

Other income: $ per . Source(s) of other income:

Is any income listed in this Section likely to be reduced before the credit requested is paid off?
☐ Yes (Explain in detail on a separate sheet.) No ☐
Checking Account No.: Institution and Branch:
Savings Account No.: Institution and Branch:
Name of nearest relative not living with Joint Applicant or Other Party:
Relationship: Address:

SECTION C—MARITAL STATUS

Applicant: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)
Other Party: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)

SECTION D—ASSET AND DEBT INFORMATION (If Section B has been completed, this Section should be completed giving information about both the Applicant and Joint Applicant or Other Person. Please mark Applicant-related information with an "A." If Section B was not completed, only give information about the Applicant in this Section.)

ASSETS OWNED (Use separate sheet if necessary.)

Description of Assets	Value	Subject to Debt? Yes/No	Name(s) of Owner(s)
Cash	$		
Automobiles (Make, Model, Year)			
Cash Value of Life Insurance (Issuer, Face Value)			
Real Estate (Location, Date Acquired)			
Marketable Securities (Issuer, Type, No. of Shares)			
Other (List)			
Total Assets	$		

OUTSTANDING DEBTS (Include charge accounts, instalment contracts, credit cards, rent, mortgages, etc. Use separate sheet if necessary.)

Creditor	Type of Debt or Acct. No.	Name in Which Acct. Carried	Original Debt	Present Balance	Monthly Payments	Past Due? Yes/No
1. (Landlord or Mortgage Holder)	☐ Rent Payment ☐ Mortgage		$ (Omit rent)	$ (Omit rent)	$	
2.						
3.						
Total Debts			$	$	$	

(Credit References) Date Paid

1. $

2.

Are you a co-maker, endorser, or guarantor on any loan or contract? Yes ☐ No ☐ If "yes" for whom? To whom?

Are there any unsatisfied judgments against you? Yes ☐ No ☐ Amount $ If "yes" to whom owed?

Have you been declared bankrupt in the last 14 years? Yes ☐ No ☐ If "yes" where? Year

Other obligations—(E.g., liability to pay alimony, child support, separate maintenance. Use separate sheet if necessary.)

SECTION E—SECURED CREDIT Briefly describe the property to be given as security:

and list names and addresses of all co-owners of the property:

Name	Address

If the security is real estate, give the full name of your spouse (if any):

Everything that I have stated in this application is correct to the best of my knowledge. I understand that you will retain this application whether or not it is approved. You are authorized to check my credit and employment history and to answer questions about your credit experience with me.

Applicant's Signature Date Other Signature (Where Applicable) Date

[Closed end, unsecured/secured credit]

CREDIT APPLICATION

IMPORTANT: Read these Directions before completing this Application.

Check Appropriate Box

☐ If you are applying for individual credit in your own name and are relying on your own income or assets and not the income or assets of another person as the basis for repayment of the credit requested, complete only Sections A and D. If the requested credit is to be secured, also complete the first part of Section C and Section E.

☐ If you are applying for joint credit with another person, complete all Sections except E, providing information in B about the joint applicant. If the requested credit is to be secured, then complete Section E.

☐ If you are applying for individual credit, but are relying on income from alimony, child support, or separate maintenance or on the income or assets of another person as the basis for repayment of the credit requested, complete all Sections except E to the extent possible, providing information in B about the person on whose alimony, support, or maintenance payments or income or assets you are relying. If the requested credit is to be secured, then complete Section E.

Amount Requested $.................... Payment Date Desired .... Proceeds of Credit To be Used For ....

SECTION A—INFORMATION REGARDING APPLICANT

Full Name (Last, First, Middle): .... **Birthdate:** / /
Present Street Address: .... **Years there:** ....
City: .... **State:** .... **Zip:** .... **Telephone:** ....
Social Security No.: .... **Driver's License No.:** ....
Previous Street Address: .... **Years there:** ....
City: .... **State:** .... **Zip:** ....
Present Employer: .... **Years there:** .... **Telephone:** ....
Position or title: .... **Name of supervisor:** ....
Employer's Address: ....
Previous Employer: .... **Years there:** ....
Previous Employer's Address: ....
Present net salary or commission: $.................... per .... No. Dependents: .... Ages: ....

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Alimony, child support, separate maintenance received under: court order ☐ written agreement ☐ oral understanding ☐

Other income: $.................... per .... Source(s) of other income: ....
....

Is any income listed in this Section likely to be reduced before the credit requested is paid off?
☐ **Yes (Explain in detail on separate sheet.)** ☐ **No**

Have you ever received credit from us? .... **When?** .... **Office** ....
Checking Account No.: .... **Institution and Branch:** ....
Savings Account No.: .... **Institution and Branch:** ....
Name of nearest relative not living with you: .... **Telephone:** ....
Relationship: .... **Address:** ....

SECTION B—INFORMATION REGARDING JOINT APPLICANT OR OTHER PARTY (Use separate sheets if necessary.)

Full Name (Last, First, Middle): .... **Birthdate:** / /
Relationship to Applicant (if any): ....
Present Street Address: .... **Years there:** ....
City: .... **State:** .... **Zip:** .... **Telephone:** ....
Social Security No.: .... **Driver's License No.:** ....
Present Employer: .... **Years there:** .... **Telephone:** ....
Position or title: .... **Name of supervisor:** ....
Employer's Address: ....
Previous Employer: .... **Years there:** ....
Previous Employer's Address: ....
Present net salary or commission: $.................... per .... No. Dependents: .... Ages: ....

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Alimony, child support, separate maintenance received under: court order ☐ written agreement ☐ oral understanding ☐

Other income: $.................... per .... **Source(s)** of other income: ....
....

Is any income listed in this Section likely to be reduced before the credit requested is paid off?
☐ **Yes (Explain in detail on separate sheet.)** ☐ **No**

Checking Account No.: .... **Institution and Branch:** ....
Savings Account No.: .... **Institution and Branch:** ....
Name of nearest relative not living with Joint Applicant or Other Party: .... **Telephone:** ....
Relationship: .... **Address:** ....

SECTION C—MARITAL STATUS

(Do not complete if this is an application for individual unsecured credit.)

Applicant: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)

Other Party: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)

SECTION D—ASSET AND DEBT INFORMATION (If Section B has been completed, this Section should be completed giving information about both the Applicant and Joint Applicant or Other Person. Please mark Applicant-related information with an "A." If Section B was not completed, only give information about the Applicant in this Section.)

ASSETS OWNED **(Use separate sheet if necessary.)**

Description of Assets	Value	Subject to Debt? Yes/No	Name(s) of Owner(s)
Cash	$		
Automobiles (Make, Model, Year)			
Cash Value of Life Insurance (Issuer, Face Value)			
Real Estate (Location, Date Acquired)			
Marketable Securities (Issuer, Type, No. of Shares)			
Other (List)			
Total Assets	$		

OUTSTANDING DEBTS (Include charge accounts, instalment contracts, credit cards, rent, mortgages, etc. Use separate sheet if necessary.)

Creditor	Type of Debt or Acct. No.	Name in Which Acct. Carried	Original Debt	Present Balance	Monthly Payments	Past Due? Yes/No
1. (Landlord or Mortgage Holder)	☐ Rent Payment ☐ Mortgage		$ (Omit rent)	$ (Omit rent)	$	
2.						
3.						
Total Debts			$	$	$	

(Credit References) Date Paid

1. $

2.

Are you a co-maker, endorser, or guarantor on any loan or contract? Yes ☐ No ☐ If "Yes," for whom? To whom?

Are there any unsatisfied judgments against you? Yes ☐ No ☐ Amount $ If "Yes," to whom owed?

Have you been declared bankrupt in the last 14 years? Yes ☐ No ☐ If "Yes," where? Year

Other obligations—(E.g., liability to pay alimony, child support, separate maintenance. Use separate sheet if necessary.)

SECTION E—SECURED CREDIT (Complete only if credit is to be secured.) Briefly describe the property to be given as security:

and list names and addresses of all co-owners of the property:

Name **Address**

If the security is real estate, give the full name of your spouse (if any):

Everything that I have stated in this application is correct to the best of my knowledge. I understand that you will retain this application whether or not it is approved. You are authorized to check my credit and employment history and to answer questions about your credit experience with me.

Applicant's Signature **Date** **Other Signature (Where Applicable)** **Date**

[Community property]

CREDIT APPLICATION

IMPORTANT: Read these Directions before completing this Application.

Check Appropriate Box

☐ If you are applying for individual credit in your own name, are not married, and are not relying on alimony, child support, or separate maintenance payments or on the income or assets of another person as the basis for repayment of the credit requested, complete only Sections A and D. If the requested credit is to be secured, also complete Section E.

☐ In all other situations, complete all Sections except E, providing information in B about your spouse, a joint applicant or user, or the person on whose alimony, support, or maintenance payments or income or assets you are relying. If the requested credit is to be secured, also complete Section E.

Amount Requested $ **Payment Date Desired** **Proceeds of Credit To be Used For**

SECTION A—INFORMATION REGARDING APPLICANT

Full Name (Last, First, Middle): Birthdate: / /
Present Street Address Years there:
City: State: Zip: Telephone:
Social Security No.: Driver's License No.:
Previous Street Address: Years there:
City: State: Zip:
Present Employer: Years there: Telephone:
Position or title: Name of supervisor:
Employer's Address:
Previous Employer: Years there:
Previous Employer's Address:
Present net salary or commission: $ per . No. Dependents: Ages:

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Alimony, child support, separate maintenance received under: court order ☐ written agreement ☐ oral understanding ☐

Other income: $ per . Source(s) of other income:

Is any income listed in this Section likely to be reduced in the next two years or before the credit requested is paid off?
☐ Yes (Explain in detail on a separate sheet.) No ☐

Have you ever received credit from us? When? Office:
Checking Account No.: Institution and Branch:
Savings Account No.: Institution and Branch:
Name of nearest relative not living with you Telephone:
Relationship: Address:

SECTION B—INFORMATION REGARDING SPOUSE, JOINT APPLICANT, USER, OR OTHER PARTY (Use separate sheets if necessary.)

Full Name (Last, First, Middle): Birthdate: / /
Relationship to Applicant (if any): Years there:
Present Street Address:
City: State: Zip: Telephone:
Social Security No.: Driver's License No.:
Present Employer: Years there: Telephone:
Position or title: Name of supervisor:
Employer's Address:
Previous Employer: Years there:
Previous Employer's Address:
Present net salary or commission: $ per . No. Dependents: Ages:

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Alimony, child support, separate maintenance received under: court order ☐ written agreement ☐ oral understanding ☐

Other income: $ per . Source(s) of other income:

Is any income listed in this Section likely to be reduced in the next two years or before the credit requested is paid off?
☐ Yes (Explain in detail on a separate sheet.) ☐ No

Checking Account No.: Institution and Branch:
Savings Account No.: Institution and Branch:
Name of nearest relative not living with Spouse, Joint Applicant, User, or other Party: Telephone:
Relationship: Address:

SECTION C—MARITAL STATUS

Applicant: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, and widowed)
Other Party: ☐ Married ☐ Separated ☐ Unmarried (including single, divorced, widowed)

SECTION D—ASSET AND DEBT INFORMATION (If Section B has been completed, this Section should be completed giving information about both the Applicant and Spouse, Joint Applicant, User, or Other Person. Please mark Applicant-related information with an "A." If Section B was not completed, only give information about the Applicant in this Section.)

ASSETS OWNED **(Use separate sheet if necessary.)**

Description of Assets	Value	Subject to Debt? Yes/No	Name(s) of Owner(s)
Cash	$		
Automobiles (Make, Model, Year)			
Cash Value of Life Insurance (Issuer, **Face Value)**			
Real Estate (Location, Date Acquired)			
Marketable Securities (Issuer, Type, No. of Shares)			
Other (List)			
Total Assets	$		

OUTSTANDING DEBTS (Include charge accounts, instalment contracts, credit cards, rent, mortgages, etc. Use separate sheet if necessary.)

Name of Creditor	Type of Debt or Acct. No.	Name in Which Acct. Carried	Original Debt	Present Balance	Monthly Payments	Past Due? Yes/No
1. (Landlord or Mortgage Holder)	☐ Rent Payment ☐ Mortgage		$ (Omit rent)	$ (Omit rent)	$	
2.						
3.						
Total Debts			$	$	$	

(Credit References) Date Paid

1. $

2.

Are you a co-maker, endorser, or guarantor on any loan or contract? Yes ☐ No ☐ If "yes," for whom? To whom?

Are there any unsatisfied judgments against you? Yes ☐ No ☐ Amount $ If "yes," to whom owed?

Have you been declared bankrupt in the last 14 years Yes ☐ No ☐ If "yes," where? Year

Other obligations—(E.g., Liability to pay alimony, child support, separate maintenance. Use separate sheet if necessary.)

SECTION E—SECURED CREDIT (Complete only if credit is to be secured.) Briefly describe the property to be given as security:

and list names and addresses of all co-owners of the property:

Name	Address

Everything that I have stated in this application is correct to the best of my knowledge. I understand that you will retain this application whether or not it is approved. You are authorized to check my credit and employment history and to answer questions about your credit experience with me.

Applicant's Signature	Date	Other Signature (Where Applicable)	Date

[Residential real estate mortgage loan]

RESIDENTIAL LOAN APPLICATION

MORTGAGE APPLIED FOR ☞	☐ Conventional ☐ FHA ☐ VA ☐ ______	Amount $______	Interest Rate ______%	No. of Months	Monthly Payment Principal & Interest $______	Escrow/Impounds (to be collected monthly) ☐ Taxes ☐ Hazard Ins. ☐ Mtg. Ins. ☐ ______

Prepayment Option

1. SUBJECT PROPERTY

Property Street Address	City	County	State	Zip	No. Units

Legal Description (Attach description if necessary.)

Year Built

Purpose of Loan: ☐ Purchase ☐ Construction-Permanent ☐ Construction ☐ Refinance ☐ Other (Explain)

Complete this line if Construction-Permanent or Construction Loan ☞	Lot Value Data Year Acquired ______	Original Cost $______	Present Value (a) $______	Cost of Improv. (b) $______	Total (a + b) $______	ENTER TOTAL AS PURCHASE PRICE IN DETAILS OF ☞ PURCHASE.

Complete this line if a Refinance Loan

Year Acquired	Original Cost $	Amt. Existing Liens $	Purpose of Refinance	Describe Improvements [ ] made [ ] to be made Cost: $______

Title Will Be Held In What Name(s)	Manner in Which Title Will Be Held

Source of Down Payment and Settlement Charges

This application is designed to be completed by the borrower(s) with the lender's assistance. The Co-Borrower Section and all other Co-Borrower questions must be completed and the appropriate box(es) checked if ☐ another person will be jointly obligated with the Borrower on the loan, ☐ the Borrower is relying on income from alimony, child support, or separate maintenance or on the income or assets of another person as a basis for repayment of the loan, or ☐ the Borrower is married and resides, or the property is located, in a community property state.

2. BORROWER

Name | Age | School Yrs.

Present Address No. Years ______ ☐ Own ☐ Rent

Street ______

City/State/Zip ______

Former address if less than 2 years at present address

Street ______

City/State/Zip ______

Years at former address ☐ Own ☐ Rent

Marital Status ☐ Married ☐ Separated ☐ Unmarried (incl. single, divorced, widowed)

Dependents other than listed by Co-borrower: No. | Ages

Name and Address of Employer

Years employed in this line of work or profession? ______ years

Years on this job ______

☐ Self Employed

Position/Title | Type of Business

Social Security Number | Home Phone | Business Phone

3. CO-BORROWER

Name | Age | School Yrs.

Present Address No. Years ______ ☐ Own ☐ Rent

Street ______

City/State/Zip ______

Former address if less than 2 years at present address

Street ______

City/State/Zip ______

Years at former address ☐ Own ☐ Rent

Marital Status ☐ Married ☐ Separated ☐ Unmarried (incl. single, divorced, widowed)

Dependents other than listed by Borrower: No. | Ages

Name and Address of Employer

Years employed in this line of work or profession? ______ years

Years on this job ______

☐ Self Employed

Position/Title | Type of Business

Social Security Number | Home Phone | Business Phone

4. GROSS MONTHLY INCOME

Item	Borrower	Co-Borrower	Total
Base Empl. Income	$	$	$
Overtime			
Bonuses			
Commissions			
Dividends/Interest			
Net Rental Income			
Other† (**Before completing, see notice under Describe Other Income below.**)			
Total	$	$	$

5. MONTHLY HOUSING EXPENSE

	Present*	Proposed
Rent	$	
First Mortgage (P&I)		$
Other Financing (P&I)		
Hazard Insurance		
Real Estate Taxes		
Mortgage Insurance		
Homeowner Assn. Dues		
Other:		
Total Monthly Pmt.	$	$
Utilities		
Total	$	$

6. DETAILS OF PURCHASE

a. Purchase Price	$
b. Total Closing Costs (Est.)	
c. Pre Paid Escrows (Est.)	
d. Total (a+b+c)	$
e. Amount of Mortgage	( )
f. Other Financing	( )
g. Present Equity in Lot	( )
h. Amount of Cash Deposit	( )
i. Closing Costs Paid by Seller	( )
j. Cash Reqd. For Closing (Est.)	$

7. DESCRIBE OTHER INCOME

⇩	B–Borrower C–Co-Borrower	**NOTICE:** † **Alimony, child support, or separate maintenance income need not be revealed if the Borrower or Co-Borrower does not choose to have it considered as a basis for repaying this loan.**	Monthly Amount
			$

8. IF EMPLOYED IN CURRENT POSITION FOR LESS THAN TWO YEARS COMPLETE THE FOLLOWING

B/C	Previous Employer/School	City/State	Type of Business	Position/Title	Dates From/To	Monthly Income
						$

9. THESE QUESTIONS APPLY TO BOTH BORROWERS

If a "yes" answer is given to a question in this column, explain on an attached sheet.	Borrower Yes/No	Co-Borrower Yes/No
Have you any outstanding judgments?	______	______
In the last 14 years, have you been bankrupt?	______	______
Have you had property foreclosed upon or given title or a deed in lieu thereof?	______	______
Are you a co-maker or endorser on a note?	______	______
Are you a party in a law suit?	______	______
Are you obligated to pay alimony, child support, or separate maintenance?	______	______
Is any part of the down payment borrowed?	______	______

	Borrower Yes/No	Co-Borrower Yes/No
Do you have health and accident insurance?	______	______
Do you have major medical coverage?	______	______
Do you intend to occupy the property?	______	______
Will this property be your primary residence?	______	______
Have you previously owned a home?	______	______
Sale price of previously owned home	$______	$______

* All Present Monthly Housing Expenses of the Borrower and Co-Borrower should be listed on a combined basis.

This statement and any applicable supporting schedules may be completed jointly by both married and unmarried co-borrowers if their assets and liabilities are sufficiently joined so that the statement can be meaningfully and fairly presented on a combined basis; otherwise separate statements and schedules are required. If the Co-Borrower section was completed about a spouse, this statement and supporting schedules must be completed about that spouse also

☐ Completed Jointly ☐ Not Completed Jointly

10. ASSETS / 11. LIABILITIES

STATEMENT OF ASSETS AND LIABILITIES

Indicate by (*) those liabilities that will be satisfied upon sale of real estate owned or upon refinancing of property.

Description	Cash or Market Value	Creditor's Name, Address, Account Number	Acct. Name if Not Borrower(s)	Mo. Pmt. and Mos. left to pay	Unpaid Balance
Cash Deposit Toward Purchase Held By	$	Instalment Debts (include "revolving" charge accounts)		$ Pmt./Mos. /	$
Checking and Savings Accounts (Names of Institutions/ Acct. Nos.)				/	
				/	
				/	
Stocks and Bonds (No./description)		Automobile Loans		/	
Life Insurance Net Cash Value *Face Amount ($)*				/	
SUBTOTAL LIQUID ASSETS	$	Real Estate Loans			
Real Estate Owned *(Enter Market Value from Schedule of Real Estate Owned)*					
Vested Interest in Retirement Fund		Other Debt, Including Stock Pledges			
Net Worth of Business Owned *(Attach Financial Stat.)*					
Automobiles (Make and Year)				/	
Furniture and Personal Property		Alimony, Child Support, and Maintenance Payments (Owed To)			
Other Assets (Itemize)					
		TOTAL MONTHLY PAYMENTS		$	
TOTAL ASSETS	A $	NET WORTH (A minus B) $		TOTAL LIABILITIES	B $

SCHEDULE OF REAL ESTATE OWNED (If Additional Properties Owned Attach Separate Schedule)

Address of Property (Indicate S if Sold, PS if Pending Sale or R if Rental being held for income)	⇩	Type of Property	Present Market Value	Amount of Mortgages & Liens	Gross Rental Income	Mortgage Payments	Taxes, Ins. Maintenance and Misc.	Net Rental Income
			$	$	$	$	$	$
TOTALS			$	$	$	$	$	$

12. LIST PREVIOUS CREDIT REFERENCES

⇩ B-Borrower C-Co-Borrower	Creditor's Name and Address	Account Number	Purpose	Highest Balance	Date Paid

List any additional names under which credit has previously been received ______

AGREEMENT: The Undersigned applies for the loan indicated in this application, to be secured by a first mortgage or deed of trust on the property described herein, and represents that the property will not be used for any illegal or restricted purpose and that all statements made in this application are true and are made for the purpose of obtaining the loan. Verification may be obtained from any source named in this application. The original or a copy of this application will be retained by the lender, even if the loan is not granted.

Borrower's Signature ______ Date / / Co-Borrower's Signature ______ Date / /

VOLUNTARY INFORMATION FOR GOVERNMENT MONITORING PURPOSES

If this loan is for purchase or construction of a home, the following information is requested by the Federal Government to monitor this lender's compliance with Equal Credit Opportunity and Fair Housing Laws. The law provides that a lender may neither discriminate on the basis of this information nor on whether or not it is furnished. Furnishing this information is optional. If you do not wish to furnish the following information, please initial below.

BORROWER: I do not wish to furnish this information (initials)

Race/National Origin

☐ American Indian, Alaskan Native **SEX** ☐ Female ☐ Male
☐ Asian, Pacific Islander ☐ Black ☐ Hispanic ☐ White
☐ Other (specify)

CO-BORROWER: I do not wish to furnish this information (initials)

Race/National Origin

☐ American Indian, Alaskan Native **SEX** ☐ Female ☐ Male
☐ Asian, Pacific Islander ☐ Black ☐ Hispanic ☐ White
☐ Other (specify)

FOR LENDER'S USE ONLY

Reverse

SUPPLEMENT I

Procedures and criteria under which a State may apply for an exemption pursuant to section 705(g) of the Act and section 202.11(e) of this Part.

(a) **Application.** Any State may apply to the Board pursuant to the provisions of this Supplement and the Board's Rules of Procedure (12 CFR 262) for a determination that, under the laws of that State,[1] a class of credit transactions[2] within the State is subject to requirements that are substantially similar to, or provide greater protection for applicants than, those imposed under sections 701 and 702 of the Act,[3] and that there is adequate provision for State enforcement of such requirements. The application shall be in writing, addressed to the Board, signed by the Governor, Attorney General, or State official having primary enforcement or interpretive responsibilities under the State law that is applicable to the class of credit transactions, and shall be supported by the documents specified in subsection (b).

(b) **Supporting documents.** The application shall be accompanied by:

(1) A copy of the full text of the State law that is claimed to contain requirements substantially similar to those imposed under sections 701 and 702 of the Act, or to provide greater protection to applicants than sections 701 and 702 of the Act, regarding the class of credit transactions within that State.

(2) A comparison of each provision of sections 701 and 702 of the Act with the corresponding provision of the State law, together with reasons supporting the claim that the corresponding provisions of the State law are substantially similar to, or provide greater protection to applicants than, provisions of sections 701 and 702 of the Act regarding the class of credit transactions and explaining why any differences are not inconsistent with the provisions of sections 701 and 702 of the Act and do not result in a diminution in the protection otherwise afforded applicants; and a statement that no other State laws (including administrative or judicial interpretations) are related to, or would have an effect upon, the State law that is being considered by the Board in making its determination.

(3) A copy of the full text of the State law that provides for enforcement of the State law referred to in subsection (b)(1).

(4) A comparison of the provisions of the State law that provides for enforcement with the provisions of sections 704 and 706 of the Act, together with reasons supporting the claim that such State law provides for:

(i) administrative enforcement of the State law referred to in subsection (b)(1) that is substantially similar to, or more extensive than, the enforcement provided under section 704 of the Act;

(ii) civil liability for a failure to comply with the requirements of the State law that is substantially similar to, or more extensive than, that provided under section 706 of the Act, including class action liability and the ability of the State Attorney General or other appropriate State official to commence a civil action under circumstances substantially similar to those prescribed in section 706 of the Act, except that such State law may provide a greater damage remedy or other, more extensive remedies;

(iii) a statute of limitations that prescribes a period for civil actions of substantially similar duration to that provided under section 706(f) of the Act, or a longer period; and

(iv) a scope of discovery relating to a creditor's credit granting standards under appropriate discovery procedures in a court action or agency proceeding that is substantially similar to, or more extensive than, that provided under section 706(j) of the Act.

(5) A statement identifying the office designated or to be designated to administer the State law referred to in subsection (b)(1), together with complete information regarding the fiscal arrangements for administrative enforcement (including

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[1] Any reference to State law in this Supplement includes a reference to any regulations that implement State law and formal interpretations thereof by a court of competent jurisdiction or duly authorized agency of that State.

[2] As applicable, references to "class of credit transactions" in this Supplement include one or more such classes of credit transactions.

[3] Any reference in this Supplement to sections 701 and 702 of the Act includes a reference to the corresponding and implementing provisions of this Part, the Board's formal interpretations thereof, and official interpretations or approvals issued by an authorized official or employee of the Federal Reserve System. Additionally, any reference to sections 701 and 702 of the Act includes a reference to sections 705(a), (b), (c), and (d) of the Act and the corresponding provisions of this Part, which, though technically not a part of sections 701 and 702, implement and relate to substantive requirements of sections 701 and 702.

the amount of funds available or to be provided), the number and qualifications of personnel engaged or to be engaged in enforcement, and a description of the procedures under which such State law is to be administratively enforced, including, if relevant, administrative enforcement regarding Federally-chartered creditors.[4] The statement should also include reasons to support the claim that there is adequate provision for enforcement of such State law.

(c) **Criteria for determination.** The Board will consider the criteria set forth below, and any other relevant information, in determining whether the law of a State is substantially similar to, or provides greater protection to applicants than, the provisions of sections 701 and 702 of the Act regarding the class of transactions within that State, and whether there is adequate provision for State enforcement of such law. In making that determination, the Board primarily will consider each provision of the State law in comparison with each corresponding provision in sections 701 and 702 of the Act, and not the State law as a whole in comparison with the Act as a whole.

(1) In order for provisions of State law to be substantially similar to, or provide greater protection to applicants than, the provisions of sections 701 and 702 of the Act, the provisions of State law[5] at least shall provide that:

(i) Definitions and rules of construction, as applicable, import the same meaning and have the same application as those prescribed by sections 701 and 702 of the Act.

(ii) Creditors provide all of the applicable notifications required by the provisions of sections 701 and 702 of the Act, with the content and in the terminology, form, and time periods prescribed by this Part pursuant to sections 701 and 702; however, required references to State law may be substituted for the references to Federal law required in this Part. Notification requirements under State law in additional circumstances or with additional detail that do not frustrate any of the purposes of the Act may be determined by the Board to be consistent with sections 701 and 702 of the Act.

(iii) Creditors take all affirmative actions and abide by obligations substantially similar to or more extensive than those prescribed by sections 701 and 702 of the Act under substantially similar or more stringent conditions and within the same or more stringent time periods as are prescribed in sections 701 and 702 of the Act.

(iv) Creditors abide by the same or more stringent prohibitions as are prescribed by sections 701 and 702 of the Act.

(v) Obligations or responsibilities imposed on applicants are no more costly, lengthy, or burdensome relative to applicants' exercising any of the rights or gaining the benefits of the protections provided in the State law than corresponding obligations or responsibilities imposed on applicants in sections 701 and 702 of the Act.

(vi) Applicants' rights and protections are substantially similar to, or more favorable than, those provided by sections 701 and 702 of the Act under conditions or within time periods that are substantially similar to, or more favorable to applicants than, those prescribed by sections 701 and 702 of the Act.

(2) In determining whether provisions for enforcement of the State law referred to in subsection (b)(1) are adequate, consideration will be given to the extent to which, under State law, provision is made for:

(i) administrative enforcement, including necessary facilities, personnel, and funding;

(ii) civil liability for a failure to comply with the requirements of such a State law that is substantially similar to, or more extensive than, that provided under section 706 of the Act;

(iii) a statute of limitations for civil liability of substantially similar or longer duration as that provided under section 706 of the Act; and

(iv) a scope of discovery relating to a creditor's credit granting standards that is substantially similar to, or more extensive than, that provided under section 706(j) of the Act.

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[4] Transactions within a State in which a Federally-chartered institution is a creditor shall not be considered subject to exemption, and such Federally-chartered creditors shall remain subject to the requirements of the Act and administrative enforcement by the appropriate Federal authority under section 704 of the Act, unless a State establishes to the satisfaction of the Board that appropriate arrangements have been made with such Federal authorities to assure effective enforcement of the requirements of State laws regarding such creditors.

[5] This subsection is not to be construed as indicating that the Board would consider adversely any additional requirements of State law that are not inconsistent with the purpose of the Act or the requirements imposed under sections 701 and 702 of the Act.

(d) **Public notice of filing and proposed rule making.** In connection with any application that has been filed in acordance with the requirements of subsections (a) and (b) of this Supplement and following initial review of the application, a notice of such filing and proposed rule making shall be published by the Board in the *Federal Register*, and a copy of such application shall be made available for examination by interested persons during business hours at the Board and at the Federal Reserve Bank for each Federal Reserve District in which the State making the application is situated. A period of time shall be allowed from the date of such publication for interested parties to submit written comments to the Board regarding that application.

(e) **Exemption from requirements.** If the Board determines on the basis of the information before it that, under the law of a State, a class of credit transactions is subject to requirements substantially similar to, or that provide greater protection to applicants than, those imposed under sections 701 and 702 of the Act and that there is adequate provision for State enforcement, the Board will exempt the class of credit transactions in that State from the requirements of sections 701 and 702 of the Act in the following manner and subject to the following conditions:

(1) Notice of the exemption shall be published in the *Federal Register*, and the Board shall furnish a copy of such notice to the State official who made application for such exemption, to each Federal authority responsible for administrative enforcement of the requirements of sections 701 and 702 of the Act, and to the Attorney General of the United States. Additionally, the Board shall include any exemption granted in an appropriate listing in Supplement II to this Part. Any exemption granted shall be effective 90 days after the date of publication of such notice in the *Federal Register*.

(2) The appropriate official of any State that receives an exemption shall inform the Board in writing within 30 days of any change in the State laws referred to in subsections (b)(1) and (b)(3). The report of any such change shall contain copies of the full text of that change, together with statements setting forth the information and opinions regarding that change that are specified in subsections (b)(2) and (b)(4). The appropriate official of any State that has received such an exemption also shall file with the Board from time to time such reports as the Board may require.

(3) The Board shall inform the appropriate official of any State that receives such an exemption of any subsequent amendments of the Act (including the implementing provisions of this Part, the Board's formal interpretations, and interpretations or approvals issued by an authorized official or employee of the Federal Reserve System) that might necessitate the amendment of State law for the exemption to continue.

(4) No exemption shall extend to the administrative enforcement or civil liability provisions of sections 704 and 706 of the Act. After an exemption is granted, the requirements of the applicable State law shall constitute the requirements of sections 701 and 702 of the Act, except to the extent such State law imposes requirements not imposed by the Act or this Part.

(f) **Adverse determination.** (1) If, after publication of a notice in the *Federal Register* as provided under section (d), the Board finds on the basis of the information before it that it cannot make a favorable determination in connection with the application, the Board shall notify the appropriate State official of the facts upon which such findings are based and shall afford that State authority a reasonable opportunity to demonstrate or achieve compliance.

(2) If, after having afforded the State authority such opportunity to demonstrate or achieve compliance, the Board finds on the basis of the information before it that it still cannot make a favorable determination in connection with the application, the Board shall publish in the *Federal Register* a notice of its determination regarding the application and shall furnish a copy of such notice to the State official who made application for such exemption.

(g) **Revocation of exemption.** (1) The Board reserves the right to revoke any exemption granted under the provisions of this Supplement if at any time it determines that the State law does not, in fact, impose requirements that are substantially similar to, or that provide greater protection to applicants than, those imposed under sections 701 and 702 of the Act or that there is not, in fact, adequate provision for State enforcement.

(2) Before revoking any such exemption, the Board shall notify the appropriate State official of the facts or conduct that, in the Board's opinion, warrants such revocation, and shall afford that State such opportunity as the Board deems

appropriate in the circumstances to demonstrate or achieve compliance.

(3) If, after having been afforded the opportunity to demonstrate or achieve compliance, the Board determines that the State has not done so, notice of the Board's intention to revoke such exemption shall be published as a notice of proposed rule making in the *Federal Register*. A period of time shall be allowed from the date of such publication for interested persons to submit written comments to the Board regarding the proposed rule making.

(4) If such exemption is revoked, notice of such revocation shall be published by the Board in the *Federal Register*, and a copy of such notice shall be furnished to the appropriate State official, to the Federal authorities responsible for enforcement of the requirements of the Act, and to the Attorney General of the United States. The revocation shall become effective, and the class of transactions affected within that State shall become subject to the requirements of sections 701 and 702 of the Act, 90 days after the date of publication of the notice in the *Federal Register*.

PART 3

PRESERVATION OF CONSUMERS' CLAIMS AND DEFENSES RULE*

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* *More commonly known as the "Holder In Due Course" Rule*

PART 3

PRESERVATION OF CONSUMERS' CLAIMS AND DEFENSES RULE

A. WHAT IS THE "PRESERVATION OF CONSUMERS' CLAIMS AND DEFENSES RULE"?

The Preservation of Consumers' Claims and Defenses Rule (better known as the "Holder In Due Course" Rule) was created by the Federal Trade Commission for the purpose of protecting the rights of consumers who purchase goods or services on credit. The Rule applies only to consumer credit and is intended to prevent sellers and creditors from unjustly separating the consumer's responsibility to pay for the goods and services from the seller's obligation to deliver marketable goods or otherwise perform its obligations.

B. WHY WAS THE RULE CREATED?

Under general theories of contract law, certain types of misconduct by a seller of goods or services may relieve the purchaser of all or part of his liability to pay. Examples of such misconduct are nondelivery, fraud, misrepresentation and breach of warranty. Such misconduct may also give rise to affirmative claims against the seller (e.g., for a refund, or for damages caused by a faulty product). These legal concepts apply to cash purchases and also to transactions where the seller extends credit to the purchaser.

In the case of a credit sale, methods developed in commercial practice whereby the consumers' obligation to pay for goods or services was separated from the seller's obligation to perform. The most common was when the buyer's promissory note was sold to a "holder in due course" who acquired it free from any claims or defenses of the consumer against the seller. The result of these practices was a situation in which the borrower had to continue paying even in the face of misconduct by the seller.

The formal proceedings of the Federal Trade Commission on the "consumer claims and defenses" issue spanned a period of five years. In the course of those proceedings, the FTC developed an extensive record which, in its view, clearly demonstrated the unfair and deceptive nature of these practices. As a result, the FTC, in accordance with its general authority under the Federal Trade Commission Act, issued this Rule and published a very significant *proposed* revision to the Rule. Both the Rule and the proposed revision are intended to bring about the discontinuance of practices which unjustly separate the debtor's obligation to pay from the seller's obligation to perform. Therefore, in order to ensure that consumers' rights are protected when they purchase an item with a loan, the Rule requires that a Notice which recognizes these rights be placed in certain loan contracts.

Responsibility for enforcement of the Preservation of Consumers' Claim and Defenses Rule rests with the Federal Trade Commission. However, the National Credit Union Administration, as a part of its general supervisory responsibility, is concerned that all Federal credit unions become aware of and comply with the Rule.

C. HOW DOES THIS RULE AFFECT CREDIT UNIONS?

The current version of the Rule is known as the "seller version" because it places the burden of compliance upon the seller. The rule basically encompasses two situations. The first is where the seller and creditor are the same party. The second is where the seller and creditor are *different* parties.

1. APPLICATION OF THE RULE WHEN THE SELLER AND LENDER ARE THE SAME PARTY

The first subsection of the Rule states that it is an unfair and deceptive act or practice (within the meaning of Section 5 of the FTC Act) for a seller of consumer goods or services to take or receive any consumer credit contract, promissory note, installment contract or other instrument evidencing the purchaser's credit obligation which does not contain the following language in at least 10 point, bold face type:

> NOTICE
>
> **Any holder of this consumer credit contract is subject to all claims and defenses which the debtor could assert against the seller of goods or services obtained pursuant hereto or with the proceeds hereof. Recovery hereunder by the debtor shall not exceed amounts paid by the debtor hereunder.**

By its terms, this portion of the Rule applies only to those consumer credit transactions in which the seller is also the creditor at some stage. *Thus, this subsection will apply to your credit union only when and if* you sell goods (such as repossessed collateral or credit union chattell) and grant the buyer a loan to pay for them. In such a situation the Rule clearly says that you *must* insert the above Notice in any instrument evidencing the loan. That instrument will typically be a note. Failure to include the Notice constitutes a violation of the Rule and subjects you as the seller, to FTC's Cease and Desist authority.

2. APPLICATION OF THE RULE WHEN THE SELLER AND LENDER ARE NOT THE SAME PARTY

The second subsection of the "seller" version applies to situations where the seller and the lender are not the same party. This subsection says that a slightly different Notice must appear in any note (or similar instrument) the proceeds of which are used to purchase goods or services from a seller who (a) *refers* consumers to the lender (not necessarily including the particular consumer in question) or (b) is *affiliated* with the lender by any formal or informal understanding, procedure, arrangement or course of dealing related to consumer sales and lending.

The required language of the Notice (which must be printed in 10 point, bold face type) in these "referral" and "affiliation" situations is as follows:

> NOTICE
>
> **Any holder of this consumer credit contract is subject to all claims and defenses which the debtor could assert against the seller of goods or services obtained with the proceeds hereof. Recovery hereunder by the debtor shall not exceed amounts paid by the debtor hereunder.**

Recognize, however, that *only the seller* is legally responsible to ensure the existence of the Notice in referral and affiliation situations. *Therefore, your credit union does not at this time have an independent responsibility to place the required Notice in its notes or loan agreements.* Rather, when and if you are approached by a merchant or other vendor/seller who believes that a "referral" or "affiliation" situation exists and who wants the Notice placed in the loan contract before he will accept the proceeds of a loan from your credit union, you should consider your alternatives: (a) If the seller is not known to be reliable (or if you are uncertain), your board may decide to terminate the credit union's relationship with the seller or cease making loans for purchases from that merchant, since placing the Notice in your loan agreement will subject your credit union to claims and defenses the borrower has against the seller. (b) If you disagree that a relationship exists which would require use of the Notice, you may wish to discuss this with the merchant, seek guidance or request a ruling from the FTC. (c) If the seller is known to be reliable and you determine that the added risk presented by the Notice is minimal, you may choose to make loans to finance such purchases with the required Notice in the loan agreement. (Further, if you have advised the seller that you will include the Notice, you should be certain to do so.) It is NCUA's advice, however, that you should exercise caution in agreeing to place the Notice in your loan agreement. Always fully consider the added risk. Should the borrower become unhappy with the goods or services purchased with the loan proceeds and exercise the rights available under the Notice, you may be unable to enforce collection. Further, the borrower may be able to recover amounts already paid by suing you, or even recover personal injury damages in the event of injury caused by faulty merchandise.

If your credit union is approached by a seller requesting placement of the "Notice" in your loan contracts, you may wish to consider granting the request subject to the merchant entering into a recourse agreement. Under such an agreement, the seller would agree to honor any loans lost because the borrower successfully defended his rights against the seller.

3. AFFILIATIONS AND REFERRALS

It is essential to understand what types of relationships may be considered "affiliations" *or* "referrals" in order to be able to determine when a "purchase money loan" is created.

An "affiliation" exists (a) when the lender and seller are part of the same business entity or (b) where there is a preexisting (formal or informal) contractual agreement (or business arrangement) to engage in combined activity in connection with the financing of goods or services. (This would generally include the providing of promotional material or any other promotional venture designed to channel sales to a seller or provider of services.) The term "referral", on the other hand, is intended to include those situations where a seller of goods or services on a cooperative and continuing basis sends his customer to a particular credit union for loans, the proceeds of which will be used to make purchases from the seller.

Appendix (A) is a Statement of Enforcement Policy issued by the FTC regarding the Preservation of Consumers Claims and Defenses Rule. It is essential that any credit union which provides promotional material (or otherwise engages in a promotional venture involving a seller of goods or services) read this material closely and assure itself regarding the applicability of the Rule. That statement provides illustrations for applying referral or affiliation standards. While it probably will not resolve all of the questions which may arise, it should prove helpful in determining whether your credit union is currently involved in a referral or affiliation arrangement.

In addition, according to an informal opinion from the FTC Staff, if a credit union simply passes along to its members information supplied by a seller, this does not create an "affiliation". However, an "affiliation" is created if the credit union takes any additional action such as endorsing the seller, or even screening sellers prior to passing along their promotional material.

4. SERVICE ARRANGEMENTS OFFERED BY CREDIT UNIONS

Some service arrangements provided by credit unions may also be subject to the Rule. Based on an informal advisory opinion from the FTC, it would appear that under certain conditions activities involving buying services, advertising in credit union publications, prepaid legal services plans and group travel plans could create affiliation or referral arrangements for the purposes of the Rule. This is particularly true if the credit union is involved in promoting specific sellers of goods or services or if (as in the case of group travel plans) the arrangements are controlled by the credit union or its trade association. If this is the case, the requirements of the Rule would be effective for loans granted to purchase products or services through these arrangements. Keep in mind, however, that it is the seller's responsibility to arrange with the lender to include the Notice in the loan agreement if the seller believes that a relationship exists.

Part 721 of the National Credit Union Administration Rules and Regulations specifies permissible activities for Federal credit unions regarding insurance and group purchasing activities. Being in compliance with that Part, however, bears no relationship to the requirements of the FTC Rule. Interpretation and enforcement of the Rule rests with FTC; therefore, Federal credit unions would be subject to any determination made by FTC regarding such matters.

5. WHEN NECESSARY, WHERE MUST THE NOTICE BE PLACED?

The Rule does not specify where the Notice must be located within the loan documents. It may appear anywhere as long as it is part of the contract. If more than one loan document is necessary, the Notice need only appear in one document. Generally, the Notice will be included in the body of the promissory note, but where it is legal to do so, it may be added as an addendum. It is important, however, to note that the wording of the "Notice" cannot be altered or qualified in any way.

6. WHAT IF THE "NOTICE" IS NOT USED—BUT SHOULD HAVE BEEN?

What if a loan is of a type where the Notice should have been put into the note, but because of the seller's failure to contact you it was omitted? Does nonperformance by the seller still give the borrower his rights under the Rule (i.e. to refuse to pay, etc)? The answer under traditional rules of law would appear to be "no". Even that conclusion is subject to some question however, since at least one court has held that aggrieved individuals, in addition to the FTC, can sue to enforce requirements of FTC rules.

7. HOW DOES THE RULE AFFECT "AS IS" CONTRACTS?

The Rule does not create any warranty, claim or defense in the event a product is sold "as is". Therefore, State and local statutes would continue to govern "as is" sales contracts.

D. CREDIT CARD EXCEPTION

The FTC Rule does not apply to three-party credit card transactions (that is, transactions where the consumer, seller and card issuer or creditor are distinct parties). Presumably, this exception relates to the fact that the Fair Credit Billing amendments to the Truth in Lending Act already grant certain rights to credit card holders in asserting claims and defenses against card issuers.

E. PROPOSED REVISIONS WOULD AFFECT CREDIT UNIONS

Under the proposed "creditor" version of the Rule, the criteria would remain the same. However, the revision places the burden of compliance upon both the seller and the creditor in cases where either a referral arrangement or affiliation exists. Under the proposed revision, then, if any seller of goods or services on a cooperative and continuing basis refers an eligible member to your credit union (or if you have any formal or informal arrangement with a merchant), any loan which you make for a purchase from that seller would have to contain the Notice. Noncompliance would subject both the seller and the credit union to FTC Cease and Desist Authority.

Remember that the "creditor" version of the Rule has only been proposed and is not in effect. Should any changes occur, we will provide you with appropriate information and guidance. In the meantime, however, the National Credit Union Administration urges each credit union to analyze any of its relationships which could possibly become subject to the proposed Rule and consider the alternatives discussed in paragraph C(3).

F. DOES THE RULE APPLY TO YOUR CREDIT UNION?

Answering the following questions and considering the accompanying explanations should be helpful to you in determining whether the Rule applies to your credit union and, if so, whether you are complying with the Rule.

If after answering the following questions you determine that your credit union is not in compliance, you should take appropriate administrative action.

QUESTIONS	EXPLANATIONS
1. Does the credit union sell and finance repossessed or credit union-owned property?	1. Sale may be to a member or a non-member.
2. If the answer to question 1 is yes, does the note or lien instrument contain the NOTICE required by Section 433.2(a)?	2. If an FCU sells and finances repossessed or credit union owned property it becomes a seller subject to the seller requirements of this Rule, and it must include the Section 433.2(a) Notice in the related note or lien instrument if the sale is financed. This Notice: "Any holder of this consumer credit contract is subject to all claims and defenses which the debtor could assert against the seller of goods or services obtained pursuant hereto or with the proceeds hereof. Recovery hereunder by the debtor shall not exceed the amounts paid by the debtor hereunder."

QUESTIONS *(Continued)*	**EXPLANATIONS** *(Continued)*
3. Does the credit union have an arrangement with a vendor wherein (a) the vendor on a cooperative and continuing basis refers members to the credit union for purchase money loans or (b) the credit union and the vendor are affiliated by a formal or informal ongoing business arrangement related to financing sales or (c) the credit union is actively participating in a sales program or a joint advertising program? (If no, STOP. If yes, answer the remaining questions in this section.)	3. Self Explanatory.
4. If the vendor has requested the credit union to place the Section 433.2(b) NOTICE in the note or lien instrument and if the board has agreed to include this NOTICE, has it carefully considered the resultant potential liability and available alternatives?	4. Section 433.2(b) Notice is: "Any holder of this consumer credit contract is subject to all claims and defenses which the debtor could assert against the seller of goods or services obtained with the proceeds hereof. Recovery hereunder by the debtor shall not exceed amounts paid by the debtor hereunder." The use of this Notice (or that in Section 433.2(a) on a loan document could in effect prevent the credit union from collecting on the loan, etc.
5. If applicable, has the proper terminology been used and has it been confined to required loans only?	5. Where a credit union has been requested and has agreed to use the notice, it should use the notice **only** on those loans which will provide purchase money to the seller with whom a qualifying arrangement has been made. If it has agreed to include the Notice, but has not done so, the FCU may be nonetheless liable. Proper terminology includes the notice in item three.
6. Has the board taken definitive measures to protect itself from unnecessary losses resulting from exercise of the NOTICE?	6. Definitive measures would include a thorough investigation of the seller's financial condition and business reputation as it relates to the prompt honoring of warranties and other sales agreements.

APPENDIX A

PART 433—PRESERVATION OF CONSUMERS' CLAIMS AND DEFENSES

STATEMENT OF ENFORCEMENT POLICY;

STATEMENT OF ENFORCEMENT POLICY IN REGARD TO TRADE REGULATION RULE ON PRESERVATION OF CONSUMERS' CLAIMS AND DEFENSES

On May 14, 1976, the Commission's Trade Regulation Rule, concerning Preservation of Consumers' Claims and Defenses (16 CFR 433) became effective. In adopting the Rule, the Commission determined that it constitutes an unfair and deceptive practice within the meaning of Section Five of the Federal Trade Commission Act (15 U.S.C. 45), for a seller in the course of financing or arranging the financing of a purchase of consumer goods or services to employ procedures which render the consumer's duty to pay independent of the seller's duty to fulfill his obligations. The Rule requires the insertion of a clause in consumer credit contracts which permits the consumer to raise against the creditor those claims and defenses that he could raise against the seller under applicable law. The Rule does not give the consumer the right to withhold payment unilaterally. The manner and procedure by which a buyer may assert claims and defenses is governed by the terms of any contractual obligation and by applicable state law.

Since the effective date of the Rule, the Commission has received a number of requests for a further clarification of its applicability to transactions in which a seller accepts the proceeds of a loan extended directly from a lender to a purchaser. This Statement of Enforcement Policy explains the Rule's definition of "purchase money loan" which encompasses certain loans of this nature. It is a restatement of the Commission's intent in this regard based on the language of the Rule and the Statement of Basis and Purpose.

This Statement is issued as a guide for compliance with the Rule. It is also intended as an aid to assure consistent application of the Rule under those state laws which create additional private remedies for violation of its requirements.

I. Introduction

The Rule requires that the prescribed notice be included in a loan document when the seller accepts the proceeds of a "purchase money loan" extended by the creditor directly to the purchaser. The definition of a "purchase money loan" limits the Rule's applicability to direct loans where the seller "refers" customers to the creditor or is "affiliated" with the creditor.[1]

The Statement of Basis and Purpose issued with the Rule specifies the nature of the business relationships that are encompassed by this standard.

Consumer credit obligations should be subject to claims and defenses whenever credit is arranged or secured in connection with a continuing relationship between a seller and a creditor. In such cases a seller and creditor may properly be viewed as joint venturers. The basic rationale for the rule . . . applies in any situation where sellers and creditors work cooperatively to finance consumer sales.[2]

The affiliation and referral standards are intended to delineate those business relationships where sellers and creditors engage in concerted or cooperative conduct to arrange credit for consumers. The terms are not intended to be wholly separate concepts and are to some extent coextensive in their impact. They are employed in this manner to assure that the broad spectrum of business relationships which reflect such joint activity are brought within the Rule.

The affiliation test applies where the lender and seller are part of the same business entity, or where there is a preexisting formal or informal contractual agreement or business arrangement to engage in concerted activity in connection with the financing of consumer goods and services. The referral test does not contemplate a preexisting agreement of this type. It encompasses relationships in which the lender and seller cooperate to channel purchases on a continuing basis. Such a course of conduct results in a de facto or implied relationship. If the seller is sending buyers to a creditor without the express or implied agreement of the creditor or without any concerted or cooperative activity between the seller and creditor in connection with the financing of consumer sales, the transaction is not within the Rule. It is important to note that such agreement or concerted or cooperative activity must relate to the actual financing of the sale and not to ancillary conduct such as perfecting a security interest.

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[1] 16 CFR 433.1(d).

[2] Statement of Basis and Purpose, 40 FR 53524, November 18, 1975.

(a) *Affiliation.* The Rule requires a seller to insure that the Notice is used in a consumer's loan contract where the seller is "affiliated with the creditor by common control, contract, or business arrangement."[3]

The first type of affiliation is common control. The Commission has concluded that when a creditor and a seller are functionally part of the same business entity, loans made by the lender for the financing of purchases from the seller should be subject to the Rule. For example, common control would be present where two companies are owned by a holding company or by substantially the same individuals; if one is a subsidiary of the other, or if they are under common control relating to retail sales financing.

An affiliation is also created by "contract" and "business arrangement." The Rule defines contract as any oral or written agreement, formal or informal between a creditor and a seller, which contemplates or provides for cooperative or concerted activity in connection with the sale of goods or services to consumers or the financing thereof. A business arrangement includes any understanding, procedure, course of dealing, or arrangement, formal or informal, between a creditor and a seller, in connection with the sale of goods or services to consumers or the financing thereof.

These definitions encompass all situations where a creditor and seller are party to any agreement, arrangement, understanding, or mutually understood procedure which is specifically related to retail sales or retail sales financing. While the business arrangement or contract need not be formal in a legal sense, it must be ongoing and clearly related to sales or sales financing.

Examples of the business arrangements or contracts which are reached by the Rule's definitions would include those contemplating:

Maintenance of loan application forms in the office of the seller;

Seller agrees with creditor to prepare loan documents;

Creditor's referrals of customers to a sales outlet;

Payment of consideration to a seller for furnishing loan customers or to a creditor for furnishing sales prospects;

The assignment of indirect paper or the referral of loan customers to a creditor;

Active creditor participation in a sales program;

Joint advertising efforts;

An agreement to purchase paper on an indirect basis.

The Rule is not intended to include the many possible business relationships that do not bear directly on the financing of consumers sales. For example, a commercial checking account is not an affiliation within the meaning of the Rule, nor is a commercial credit agreement between the seller and a credit institution which has no relationship to consumer sales activities or the financing thereof. A commercial lease, the factoring of accounts receivable, a general business loan, the financing of inventory, or other similar commercial arrangements or contracts do not invoke the Rule. The installation in a seller's place of business of a system for approval of personal checks is not a business arrangement within the meaning of the Rule. It should also be noted that an agreement between a credit card issuer and a seller does not constitute a business arrangement or a contract within the meaning of the Rule.

The fact that a creditor and seller must confer over a particular transaction does not in itself create an arrangement. Thus, for example, the mere fact that a creditor issues a joint proceeds check to a seller and a buyer or that seller and lender must confer in order to perfect the security agreement under applicable state law is not a business arrangement or contract.[4]

(b) *Referrals.* The Rule prohibits a seller from accepting the proceeds of a "purchase money loan" unless the credit contract contains the required Notice when the seller "refers consumers to the creditor". The intent of this provision is to reach those situations in which a seller cooperates with a lender to channel consumers to that credit source on a continuing basis. Unlike an "affiliation", which contemplates some preexisting arrangement or agreement, a referral relationship arises from a pattern of cooperative activity directly relating to the arranging of credit.

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[3] 16 CFR 433.1(d)(2).

[4] See Federal Trade Commission Advisory Opinion #763-7007 to National Automobile Dealers Association, May, 1976.

Several elements are necessary. The seller and creditor must be engaged in cooperative or concerted conduct to channel a consumer to a particular lender. The fact that a seller may suggest credit sources to his customers or otherwise provide information in this regard does not alone invoke the Rule. However, when a seller and a lender work together to arrange financing for seller's customers, the prescribed notice must be incorporated in the loan contract.

This conduct must occur on a continuing basis. Occasional referrals which are not part of a business routine of the seller do not trigger the Rule. Once a referral relationship is established all credit contracts between that lender and buyers who spend the proceeds at the seller's establishment must contain the Notice.

Finally, it should be emphasized that formal consideration need not pass between the seller and lender. The fact that a seller and lender are cooperatively engaged in an effort which is mutually beneficial to their separate business interests is sufficient.

(c) *Application of the referral and affiliation standards*. The following examples illustrate how the referral and affiliation standards are applied.

1. A seller has an agreement with a creditor to maintain loan application forms in the seller's office. When a buyer requests financing, the seller assists the buyer in filling out the forms. This relationship constitutes an affiliation and the Notice must be included in the consumer credit contract.

2. A seller regularly sends his customers to a particular creditor. The creditor, in turn, agrees to provide a favorable financing arrangement for the seller's inventory or directly or indirectly provides some other consideration. The seller and lender are "affiliated". The Notice must be included in the consumer credit contract.

Comment.—These circumstances would give rise to a "contract" as defined by §433.1(f).

3. A seller regularly sends his customer to a particular creditor. The creditor agrees that as long as the seller continues to refer his customers, their loan applications will be processed or approved on an expedited basis where the borrower meets certain lending criteria but before a full credit check is completed. The Notice must be in.

Comment. An agreement of this nature would constitute a business arrangement. (Typically in situations such as those in the example, the seller would agree to repurchase any contracts which the lender ultimately did not accept. However, a repurchase agreement of this nature is not essential to bring the above conduct within the Rule.)

4. A seller routinely suggests that customers in need of credit go to a particular source or sources of financing. While the creditor is aware that seller is sending some of his customers, the creditor does not provide any tacit or explicit quid pro quo, and seller and financer have no relationship that would constitute an affiliation and do not otherwise cooperate except insofar as may be necessary to arrange payment, perfect a security interest or otherwise finalize the transaction. The Notice is not required.

Comment. The Rule draws the line between situations in which the seller is acting as an information source or where credit is available and those in which the seller is arranging credit or serving as a conduit for the creditor. For a referral to occur within the meaning of the Rule, there must be something more than a simple suggestion that credit might be available from a particular source. There must be some further affirmative act by the seller to promote the consummation of the loan.

Since a simple suggestion is not a referral, it does not matter how often it is repeated.

This interpretation also answers a question raised by some creditors as to the result if a seller sends customers to them and they do not know the customers are being sent. Such lack of knowledge on the part of the creditor automatically precludes the possibility that a referral has taken place.

5. A buyer asks a seller for credit information. The seller suggests a creditor, calls up the creditor to determine whether the creditor will lend money to the particular buyer, and then sends the buyer to the creditor. Seller and creditor have no agreement, formal or informal, to refer customers. A referral relationship would be created, if the channeling occurs on a continuing basis.

Comment.—When a seller contacts a lender and arranges credit for his customers on a continuing basis, there is sufficient cooperative activity to constitute a referral relationship. Monetary or other formal consideration need not be involved. A pattern of mutual accommodation in arranging loans is sufficient concerted or cooperative activity to establish a referral relationship. However, contact between the seller and creditor which first occurs after the loan has been secured, for purposes of securing a lien or approving a bank draft is not a referral since there is no cooperative activity in the arranging of credit.

6. A buyer asks a seller for credit sources. Seller provides a list of lenders in the area and provides information on the availability of credit from them as an accommodation to his customers. The seller does not contact a creditor to arrange credit for the customers, nor does he have any other business arrangement or affiliation with the creditors in this respect. The Notice is not required.

Comment.—When the seller is merely providing buyer with information on the choices available to the buyer, does not channel the buyer by contacting the creditor, and has no agreement to mention a particular creditor, then the buyer is providing information and the Notice is not required.

7. A seller has a referral or affiliation relationship with a creditor. A buyer, on his own, goes to the creditor to obtain a loan to purchase an item from seller. The Notice must be in.

Comment.—If a seller has an arrangement whereby he refers his customers to a creditor, all loan contracts between that creditor and a borrower who uses the proceeds to purchase goods from that seller must contain the Notice. The Notice must be in whether the particular loan contract was the product of a referral or not.

8. Seller has for years referred his customers to a particular financial institution pursuant to an arrangement with the creditor. He now desires to end the relationship. He stops the referrals and notifies the creditor that he no longer will refer buyers. The referral relationship has been terminated.

Comment.—A referral relationship is a continuing one. It can be stopped as long as the termination is genuine, and the seller is not attempting to temporarily avoid the Rule for a few transactions. The creditor can also end a referral relationship by notifying seller that he does not wish the relationship to continue and by refusing to place the Notice in his loan contracts with purchasers from that seller.

II. Determining the Source of the Proceeds

The seller is prohibited from accepting the proceeds of a "purchase money loan" unless the consumer credit contract contains the specified Notice. Since the credit contract is between the borrower and the lender, the seller may not be aware that the money he is receiving is the proceeds of a "purchase money loan." The problem arises when the seller and the creditor are affiliated by common control, contract, or business arrangement or are engaged in a referral relationship and the buyer has unilaterally gone to the creditor for a loan to purchase goods or services from the seller.

The Rule was not intended to subject a seller to liability when he has no reason to believe he is receiving the proceeds of a "purchase money loan." Nor does the Rule require that the seller interrogate the buyer to determine the source of the proceeds. The objective circumstances surrounding the transaction provide the seller with information concerning the source of the proceeds. When these circumstances do not indicate the source of the proceeds or do not provide reason to believe that the proceeds may be from a "purchase money loan," there is no obligation to further investigate the source of the proceeds.

The following examples illustrate how this standard is being applied.

1. A buyer arrives in the seller's showroom with a joint proceeds check or a bank draft drawn on a bank affiliated with the seller. The seller is on notice to inquire as to whether the Notice was included.

Comment.—A joint proceeds check provides actual knowledge that a purchase money loan is involved. A bank draft places a seller on notice that the instrument is probably the proceeds of a purchase money loan.

2. A buyer pays for a seller's product or service with cash or a personal check. There is no duty to inquire.

Comment.—When there are no facts that would place a reasonable man on notice that the money is the proceeds of a "purchase money loan", there is no obligation to interrogate a customer.

3. A buyer pays $5,000 for an automobile with a personal check drawn on the bank that purchases the seller's contracts. The buyer states that he obtained a signature loan from that bank to pay for it. Seller must determine if the Notice was inserted.

4. Seller determines that the money the buyer uses to purchase a product are the proceeds of a "purchase money loan". The seller asks the buyer whether the Notice has been included in the consumer credit contract. The buyer refuses to answer or incorrectly states the Notice was included. The seller must communicate with the creditor.

Comment.—When the seller has a relationship with a creditor, the best source of information concerning the Notice is the creditor. He cannot escape liability through the ignorance of the buyer.

APPENDIX B

TITLE 16—COMMERCIAL PRACTICES

CHAPTER I—FEDERAL TRADE COMMISSION

PART 433—PRESERVATION OF CONSUMERS' CLAIMS AND DEFENSES

PROMULGATION OF TRADE REGULATION RULE AND STATEMENT OF BASIS AND PURPOSE

Notice is hereby given that the Federal Trade Commission, pursuant to the Federal Trade Commission Act, as amended, 15 U.S.C. 41, *et seq.*, the provisions of Part I, Subpart B, of the Commission's Procedures and Rules of Practice, 16 CFR 1.7, *et seq.*, and Section 553 of Subchapter II, Chapter 5, Title 5 of the U.S. Code (Administrative Procedure) has conducted a proceeding for the promulgation of a Trade Regulation Rule concerning Preservation of Consumers' Claims and Defenses. The proposed rule was published in the FEDERAL REGISTER for comments and hearings thereon on January 26, 1971 (36 F.R. 1211). A revised version thereof was published in the FEDERAL REGISTER for comments and hearings thereon on January 5, 1973 (38 F.R. 892).

Written comments from interested parties have been received by the Commission. Public hearings have been held in New York, New York (June 7-9, 1971); Chicago, Illinois (July 12-14, 1971; May 7-9, 1973); and Washington, D.C. (September 20-23, 1971 and March 12-15, 1973). See 36 FR 6592, 7865; and 38 FR 8600.

Accordingly, the Commission hereby amends Subchapter D, Trade Regulation Rules, Chapter I of 16 CFR by adding a new Part 433 as follows:

§433.1 DEFINITIONS.

(a) *Person.* An individual, corporation, or any other business organization.

(b) *Consumer.* A natural person who seeks or acquires goods or services for personal, family, or household use.

(c) *Creditor.* A person who, in the ordinary course of business, lends purchase money or finances the sale of goods or services to consumers on a deferred payment basis; *Provided*, such person is not acting, for the purposes of a particular transaction, in the capacity of a credit card issuer.

(d) *Purchase money loan.* A cash advance which is received by a consumer in return for a "Finance Charge" within the meaning of the Truth in Lending Act and Regulation Z, which is applied, in whole or substantial part, to a purchase of goods or services from a seller who (1) refers consumers to the creditor or (2) is affiliated with the creditor by common control, contract, or business arrangement.

(e) *Financing a sale.* Extending credit to a consumer in connection with a "Credit Sale" within the meaning of the Truth in Lending Act and Regulation Z.

(f) *Contract.* Any oral or written agreement, formal or informal, between a creditor and a seller, which contemplates or provides for cooperative or concerted activity in connection with the sale of goods or services to consumers or the financing thereof.

(g) *Business arrangement.* Any understanding, procedure, course of dealing, or arrangement, formal or informal, between a creditor and a seller, in connection with the sale of goods or services to consumers or the financing thereof.

(h) *Credit card issuer.* A person who extends to card holders the right to use a credit card in connection with purchases of goods or services.

(i) *Consumer credit contract.* Any instrument which evidences or embodies a debt arising from a "Purchase Money Loan" transaction or a "financed sale" as defined in paragraphs (d) and (e).

(j) *Seller.* A person who, in the ordinary course of business, sells or leases goods or services to consumers.

§433.2 PRESERVATION OF CONSUMERS' CLAIMS AND DEFENSES, UNFAIR OR DECEPTIVE ACTS OR PRACTICES.

In connection with any sale or lease of goods or services to consumers, in or affecting commerce as "commerce" is defined in the Federal Trade Commission Act, it is an unfair or deceptive act or practice within the meaning of Section 5 of that Act for a seller, directly or indirectly, to:

(a) Take or receive a consumer credit contract which fails to contain the following provision in at least ten point, bold face, type:

Notice

ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.

or, (b) Accept, as full or partial payment for such sale or lease, the proceeds of any purchase money loan (as purchase money loan is defined herein), unless any consumer credit contract made in connection with such purchase money loan contains the following provision in at least ten point, bold face, type:

Notice

ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICE OBTAINED WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.

Effective: May 14, 1976.

Promulgated by the Federal Trade Commission November 14, 1975.

Charles A. Tobin,
Secretary.

PART 4

FEDERAL FAIR HOUSING LAW

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PART 4

FEDERAL FAIR HOUSING LAW

A. ITS PURPOSE

The purpose of the Federal Fair Housing Law (Title VIII of the Civil Rights Act of 1968) is to create an equal opportunity for housing for all. It is intended to eliminate discriminatory patterns and practices in any aspect of housing. This includes the sale or rental or the financing of the purchase, improvement or repair of a building (or portion of a building) which is intended to be occupied as a residence or any vacant land on which such building might be located.

B. HOW DOES IT AFFECT CREDIT UNIONS?

1. LENDING AND COLLECTION

The Fair Housing Law specifically prohibits lenders (including credit unions) from denying a mortgage or home improvement loan to any member for reasons of race, color, religion, sex or national origin. This includes loans for the purpose of purchasing, constructing, improving repairing or maintaining a dwelling. The prohibition against discrimination also applies to setting loan terms or other application and collection procedures on basis of race, color, religion, sex or national origin. Such actions, as they relate to lending, are also prohibited by Regulation B.

2. ADVERTISING—NOTICE OF NONDISCRIMINATION

Every credit [illegible] which directly or through third parties engages in any form of advertising of loans for any of the purposes stated in B(1), must prominently indicate in such advertisements that it makes such loans without regard to race, color, religion, sex, or national origin. In addition, nothing in the advertising should imply a policy which would discriminate against any applicant on a prohibited basis.

Written advertisements relating to such loans, including those broadcast by television or published by printing, must also include a facsimile of the logotype appearing in the Appendix.

3. LOBBY DISPLAY—NOTICE OF NONDISCRIMINATION

Any credit union which grants loans for any of the purposes stated in B(1) must display in its office a notice or poster that includes a facsimile of the logotype displayed in the Appendix (or an equivalent notice in the case of State chartered CUs). The notice or poster must be clearly visible to anyone entering the lobby or office area. The notice or poster must also declare that the credit union's policies comply with nondiscrimination requirements and include the address of the Department of Housing and Urban Development and direct applicants to contact that agency should they believe they have been discriminated against.

Posters containing the required notice and logotype may be obtained from the regional offices of the National Credit Union Administration.

C. ROLE OF THE NATIONAL CREDIT UNION ADMINISTRATION

It is NCUA's responsibility to determine that the lending policies of Federal credit unions are consistent with the intent of Title VIII of the Civil Rights Act, as amended by the Housing and Community Development Act of 1974. NCUA must also determine that Federal credit unions are complying with Section 701.31 of the National Credit Union Administration Rules and Regulations. This section specifically cites the advertising and display requirements which must be adhered to.

D. IS YOUR CREDIT UNION IN COMPLIANCE?

The following questions and accompanying explanations should inform you as to whether your credit union is subject to and in compliance with the Fair Housing Law. A "Yes" answer to questions 2, 3 and 5 and a "No" answer to question 4, would indicate that your credit union is in compliance.

If after completing the following questions you determine that your credit union is not in compliance, you should take appropriate corrective action.

QUESTIONS	EXPLANATIONS
1. Does the FCU make loans for the purpose of purchasing, improving or repairing a dwelling? (If no, STOP)	1. The loan must be related to the structure. Loans for the purpose of purchasing appliances or paying taxes on the dwelling would not be covered under Fair Housing.
2. Does the FCU conspicuously display the logotype and notice of nondiscrimination in the public area of each office?	2. & 3. Required by Fair Housing Act and NCUA's Rules and Regulations, Section 701.31. In the event of a complaint of discrimination by a borrower, failure to have met these requirements would be deemed prima facie evidence of such practice.
3. Does the FCU state in its loan advertising that loans made for the purposes noted in one (1) above are considered without regard to race, color, religion, sex or national origin?	
4. Does there appear to be any evidence that the credit union's lending policies or practices in loans of this type result in any member being treated less favorably than other similarly credit worthy members due to race, color, religion, sex or national origin?	4. Self Explanatory.
5. Do the credit union's appraisal and loan collection policies appear to be free from such discriminatory bias on loans of this type?	5. Self Explanatory.

Appendix A

REQUIRED NOTICE AND LOGOTYPE

EQUAL HOUSING
LENDER

We Do Business in Accordance With the Federal Fair Housing Law

(Title VIII of the Civil Rights Act of 1968,
as Amended by the Housing and Community
Development Act of 1974)

IT IS ILLEGAL TO DISCRIMINATE AGAINST ANY PERSON BECAUSE OF RACE, COLOR, RELIGION, SEX, OR NATIONAL ORIGIN, TO:

- Deny a loan for the purpose of purchasing, constructing, improving, repairing or maintaining a dwelling or
- Discriminate in fixing of the amount, interest rate, duration, application procedures or other terms or conditions of such a loan

IF YOU BELIEVE YOU HAVE BEEN DISCRIMINATED AGAINST, YOU MAY SEND A COMPLAINT TO:

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Assistant Secretary for Fair Housing and Equal Opportunity
Washington, D.C. 20410

or call your local HUD Area or Insuring Office.

[illegible]

PART 5

HUD REGULATION X—REAL ESTATE SETTLEMENT PROCEDURES ACT

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Appendix A—RESPA Booklet

PART 5

REAL ESTATE SETTLEMENT PROCEDURES ACT OF 1974 (RESPA)

A. WHY WAS IT ENACTED?

The Real Estate Settlement Procedures Act was signed into law on December 22, 1974. Its purpose is to protect the consumer by requiring that home buyers be provided with certain specific information relating to financing and settlement costs of residential real estate transactions.

The following discussion is intended to familiarize you with the requirements of RESPA as they pertain to Federally insured credit unions.

B. TO WHOM DOES IT APPLY?

Real Estate Settlement Procedures Act, Regulation X, applies to all Federally insured credit unions which make real estate loans secured by a first lien or other security interest, where the proceeds are used, in whole or in part, by a borrower to acquire legal title in that property and:

(a) upon which there is located or is to be constructed, using proceeds of the loan, a structure designed principally for the occupancy of 1 to 4 families; or

(b) upon which there is located a mobile home or upon which there will be placed a mobile home to be purchased using proceeds of the loan; or

(c) upon which there is a condominium or cooperative unit designed principally for the occupancy of 1 to 4 families. [Regulation X is also applicable to nonfederally insured state credit unions that make or invest in loans for residential real estate aggregating more than $1,000,000 per year as set forth in Regulation X, Section 3500.5(c)(3), or that make federally insured or guaranteed loans (VA or FHA loans).]

The following transactions are not subject to the provisions of RESPA:

(a) A loan to finance the purchase or transfer of property of 25 or more acres;

(b) A home improvement loan or any loan where the proceeds are not used to finance the transfer of legal title to the property;

(c) A loan to finance the purchase or transfer of a vacant lot, where no proceeds are used for the construction of a 1 to 4 family residential structure or for the purpose of a mobile home to be placed on the lot.

(d) Other exemptions are set out in Section 3500 of the Regulation. The following is a summary of those exemptions: a construction loan; a loan to purchase property where the primary purpose is for resale; a loan where the lot is already owned by the borrower or borrowers; and the execution of a land sale contract or installment land contract where title is not transferred to the purchaser upon execution, unless the contract is to finance the acquisition of title.

Any real estate loan made by a Federally insured credit union, which meets the requirements outlined above and is not an exempted transaction, is considered a Federally Related Mortgage Loan for the purposes of RESPA, if the mortgaged property is located in a State. The terms "State" includes any State of the United States, the District of Columbia, Puerto Rico, and any territory or possession of the United States.

C. WHAT MUST BE DONE TO COMPLY WITH RESPA?

Whenever a Federally insured credit union receives an application for a Federally Related Mortgage Loan, or prepares an application form for such a loan for a member, it must provide the applicant with a copy of the Special Information Booklet and a Good Faith Estimate of closing costs. In addition, a Uniform Settlement Statement form (HUD Form 1) must be completed by the person conducting the settlement of a Federally Related Mortgage Loan.

1. SPECIAL INFORMATION BOOKLET

The Special Information Booklet currently prescribed by the Secretary of the Department of

Housing and Urban Development shall be supplied to each applicant for a Federally Related Mortgage Loan by delivering it or placing it in the mail to the applicant by not later than three business days after the application is received. Where more than one individual applies for a loan, it is only necessary to provide a copy of the Booklet to one of the applicants.

The Special Information Booklet may be printed or reproduced in any form; however, only the following changes may be made to the text and format of the booklet:

(a) The cover may be in any form, and may include drawings or artwork, provided that the phrase "settlement costs" appears in the title. The name of the credit union may appear on the cover, but there can be no discussion or summary of the matter contained inside.

(b) The Special Information Booklet may be translated into other languages.

The content of the booklet is shown in Appendix A. Copies of the booklet itself are not available through HUD or NCUA but may be purchased from your usual source of supplies.

2. GOOD FAITH ESTIMATES

The credit union must provide a good faith estimate (as a dollar amount or range) for each settlement charge listed in Section L, of the Uniform Settlement Statement (except item 903 and Series 1000 of Section L) which the credit union anticipates the borrower will have to pay at settlement. Each estimate must bear a reasonable relationship to the anticipated actual charge and must be based on the general experience of the individual credit union as to costs a borrower pays in that locality.

Regulation X does not specify a standard form to be used when making good faith estimates. However, under Section 3500.7(d) of Regulation X, whatever form is used must meet the following requirements:

(a) The form must be clear and concise, must include the credit union's name and have the following statement in BOLD type:

"This form does not cover all items you will be required to pay in cash at settlement, for example, deposit in escrow for real estate taxes and insurance. You may wish to inquire as to the amounts of such other items. You may be required to pay other additional amounts at settlement."

(b) The terminology used should be identical, so far as practicable, to the terms which are included or will be inserted on HUD Form 1. Credit unions are encouraged to use the same item numbers for estimates in their forms as are used in HUD Form 1.

(c) Additional information regarding a specific item may be provided, and charges which may be grouped together on HUD Form 1 may also be grouped in the estimate.

In addition, if a credit union uses another party such as a law firm to provide services relating to the loan, and requires the borrower to pay any portion of cost for such services, the good faith estimate must:

(a) Contain the estimated charges.

(b) State the name, telephone number of, and the services to be provided by each party. It must also state the fact that the credit union's estimate is based on the charges of the designated provider.

(c) Contain a statement whether or not each such provider has a business relationship with the credit union.

The required good faith estimate may be printed on a separate form or be inserted in the Special Information Booklet.

Like the Special Information Booklet, the good faith estimate must be delivered or placed in the mail to the applicant by not later than three business days after the loan application is received. The Regulation does not require the lender to retain copies of estimates provided to members, but NCUA recommends this practice.

3. UNIFORM SETTLEMENT STATEMENT

A Uniform Settlement Statement (HUD Form 1) must be used by the credit union, or any person acting on its behalf, when conducting the settlement of a Federally related mortgage loan. The form must itemize all charges which the credit union requires the borrower and the seller to pay in connection with the settlement. Charges which the borrower and seller contract to pay separately outside of the settlement are not to be included on the form. Information pertaining only to the seller may be deleted from the borrower's copy and vice versa. Additional instructions regarding preparation of the Uniform Settlement Statement are included in the RESPA Booklet which follows this discussion (Appendix A). The booklet also contains a copy of HUD Form 1.

The credit union (lender) must keep copies of both the buyer's and seller's settlement statement for two years after the settlement date, unless it sells the loan.

There are two types of transactions for which a uniform settlement statement does not have to be prepared. They are:

(a) Transactions for which the borrower is not required to pay any settlement charges, and

(b) Transactions in which the borrower must pay a fixed amount for all settlement charges. In this case, the lender must deliver or mail to the borrower, within 3 business days after the loan application, a statement of the amount of the fixed charge, settlement services and other items covered by such charge.

It is important to note that a credit union must keep an accurate record of all transactions for which preparation of a Uniform Settlement Statement was not required. The record of each loan must be retained for two years from the settlement date and must include:

(a) an itemized list of the settlement services provided,

(b) the exact charge imposed at settlement, if any, and

(c) the nature of the exemption.

4. ADVANCE INSPECTION OF UNIFORM SETTLEMENT STATEMENT

Section 3500.10 of Regulation X requires that, upon the request of the borrower, the credit union or its agent conducting the settlement must permit the borrower to inspect the Uniform Settlement Statement during the business day immediately preceding the date of settlement. At that time, the form must be completed as to those items which are known to the credit union.

5. MODIFYING THE UNIFORM SETTLEMENT STATEMENT

Certain modifications of HUD Form 1 are permitted. The permissible changes are listed in Section 3500.9 of Regulation X. Only the changes specified therein may be made.

6. NO FEE MAY BE CHARGED

As provided in Section 12 of RESPA, no fee can be charged to any person (as part of the settlement costs or otherwise) by a credit union in connection with or on account of the preparation and distribution of disclosure statements required under RESPA or the Truth In Lending Act.

7. TITLE COMPANIES

In cases where a credit union holds legal title to the property sold, and is the seller or acting on behalf of the seller, it is prohibited from requiring borrowers (directly or indirectly) to use a particular title company. The liability for violation is an amount equal to three times all charges made for such title insurance.

8. ESCROW ACCOUNT LIMITATIONS

The amount that a credit union can require a borrower to place in an escrow account is limited. Escrow funds are limited at settlement to the amount that would bring the amount of taxes, insurance premiums and other charges current to the date of the first full payment, plus one-sixth of the amount of such charges to be paid during the following twelve-month period.

Any monthly escrow payment can be no larger than one-twelfth of the amount anticipated to be paid for such charges during the following twelve months plus the amount necessary to maintain an additional balance not to exceed one-sixth of the amount of charges to be paid during the following twelve-month period.

D. RELATION TO STATE LAWS

Any State laws which pertain to real estate transactions remain in effect and are not changed by RESPA unless they are inconsistent with RESPA.

E. KICKBACKS

Under RESPA there is a $10,000 penalty for accepting any fee, kickback or thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or a part of settlement be referred to any person. Regulation X provides specific examples of prohibited kickbacks under Section 3500.14.

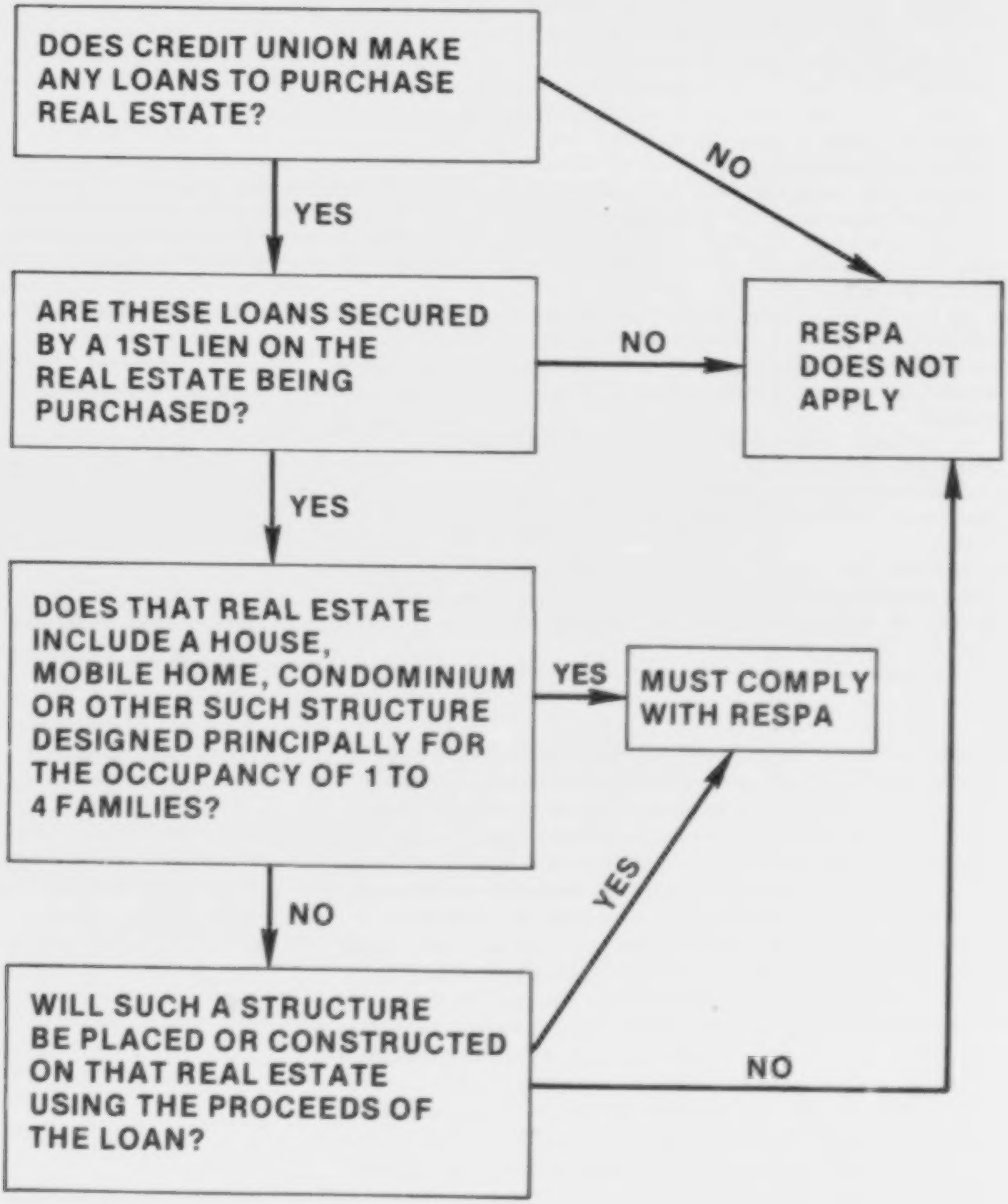
F. IS YOUR CREDIT UNION IN COMPLIANCE?

The following checklist is being provided as a guide for you to determine whether your credit union is subject to and in compliance with RESPA. "Yes" answers to questions 2 through 6, 8 and 10 and "no" answers to 7, 9 and 11 would reflect that your credit union is in compliance. Should you find your credit union not to be in compliance with RESPA in any respect, you should make the necessary corrections.

QUESTIONS	EXPLANATIONS
1. Does the credit union make Federally related first mortgage residential real estate loans covered under RESPA (Reg. X)? (If no, STOP. If yes, answer all remaining questions.)	1. A Federally related loan covered under RESPA (per the Administrator's letter of 6/29/76 to the board of directors of all FCUs) is any loan made by an FCU to finance the purchase or construction of residential real estate and secured by a first lien on that real estate, etc.
2. Does the credit union provide each applicant for a RESPA-related loan with a copy of the Special Information Booklet free of charge within 3 business days after receiving the loan application?	2. A sample is included in the enclosure to the above letter.
3. Is a written good faith estimate of settlement costs containing the statement required by Section 3500.7(d)(1) given to each applicant within 3 business days after receiving the loan application? (If yes, did it provide [ ] range estimates, [ ] specific amount estimates or [ ] combination of the two.)	3. The form should be clear and concise. It must include the credit union's name, Section 3500.7(d)(1) also requires the following notice: "This form does not cover all items you will be required to pay in cash at settlement. . ."
4. Does the credit union routinely relate each good faith estimate to the specific property being considered by the applicant (i.e., is the good faith estimate realistic)?	4. This question can be answered by reviewing the good faith estimates and the related Uniform Settlement Statements.
5. If the credit union requires the borrower to use a particular firm for any settlement service, does it provide the applicant with the statements required by 3500.7(e)?	5. Section 3500.7(e) requires the following; (a) the name, address and telephone number of each provider designated by the credit union, the services which would be rendered by such provider and the fact that the credit union's estimate is based upon the charges of the designated provider, and (b) statement whether or not each such provider has a business relationship with the credit union.
6. Unless the credit union qualifies for exemption, does it provide the borrower with the Uniform Settlement Statement (HUD-1) at the time of settlement or 1 day prior to settlement if requested by the borrower?	6. Exemptions are confined to (a) transactions in which the borrower is not required to pay any settlement charges or adjustments and (b) transactions in which the borrower is required to pay a fixed amount for all charges imposed at settlement and the time of loan application (Section 3500.8(d)(1)(2). In addition Section 3500.10(c) indicates that the borrower may waive his/her rights to receive the USS up to the time of settlement. If these rights are waived, the credit union must mail or deliver the settlement as soon as practical after settlement. In the event that settlement is conducted by an agent of the credit union, this requirement may be met by that agent.

QUESTIONS *(Continued)*	EXPLANATIONS *(Continued)*
7. Does the credit union charge a fee in connection with the preparation or distribution of any disclosures required by RESPA?	7. Such fees are prohibited by Section 12 of RESPA.
8. Has the credit union arranged to retain a copy of HUD-1 for two years?	8. Self Explanatory.
9. If a credit union sells residential real estate which it owns through foreclosure or otherwise, does it require use of a specific title company?	9. Required use of a specific title company would be a violation of Section 9 of RESPA (a) if the sale were being financed by the FCU or (b) if the funds for the purchase of the property were the proceeds of a Federally related mortgage loan made by another lender.
10. If the credit union requires escrow amounts, does it keep the escrow requirements within the permitted maximums?	10. The permitted maximums are detailed in Section 10 of RESPA.
11. Is there evidence that credit union or its staff gives or receives kickbacks in conjunction with RESPA covered loans?	11. Self Explanatory.
12. Does the credit union have written policies or checklists for its staff to follow with regard to RESPA compliance?	12. Self Explanatory.

G. HOW TO DETERMINE WHETHER YOUR FEDERALLY-INSURED CREDIT UNION MUST COMPLY WITH RESPA


DOES CREDIT UNION MAKE ANY LOANS TO PURCHASE REAL ESTATE?
NO
YES
ARE THESE LOANS SECURED BY A 1ST LIEN ON THE REAL ESTATE BEING PURCHASED?
NO
RESPA DOES NOT APPLY
YES
DOES THAT REAL ESTATE INCLUDE A HOUSE, MOBILE HOME, CONDOMINIUM OR OTHER SUCH STRUCTURE DESIGNED PRINCIPALLY FOR THE OCCUPANCY OF 1 TO 4 FAMILIES?
YES
MUST COMPLY WITH RESPA
NO
YES
WILL SUCH A STRUCTURE BE PLACED OR CONSTRUCTED ON THAT REAL ESTATE USING THE PROCEEDS OF THE LOAN?
NO

Real Estate Settlement Procedures Act

Statute

Regulations

Special Information Booklet

U.S. Department of Housing and Urban Development

THE REAL ESTATE SETTLEMENT
PROCEDURES ACT OF 1974
AS AMENDED IN 1975

An Act

88 STAT. 1724

To further the national housing goal of encouraging homeownership by regulating certain lending practices and closing and settlement procedures in federally related mortgage transactions to the end that unnecessary costs and difficulties of purchasing housing are minimized, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Real Estate Settlement Procedures Act of 1974.

SHORT TITLE

SECTION 1. This Act may be cited as the "Real Estate Settlement Procedures Act of 1974". 12 USC 2601 note.

FINDINGS AND PURPOSE

SEC. 2. (a) The Congress finds that significant reforms in the real estate settlement process are needed to insure that consumers throughout the Nation are provided with greater and more timely information on the nature and costs of the settlement process and are protected from unnecessarily high settlement charges caused by certain abusive practices that have developed in some areas of the country. The Congress also finds that it has been over two years since the Secretary of Housing and Urban Development and the Administrator of Veterans' Affairs submitted their joint report to the Congress on "Mortgage Settlement Costs" and that the time has come for the recommendations for Federal legislative action made in that report to be implemented. 12 USC 2601.

(b) It is the purpose of this Act to effect certain changes in the settlement process for residential real estate that will result—

(1) in more effective advance disclosure to home buyers and sellers of settlement costs;

(2) in the elimination of kickbacks or referral fees that tend to increase unnecessarily the costs of certain settlement services;

(3) in a reduction in the amounts home buyers are required to place in escrow accounts established to insure the payment of real estate taxes and insurance; and

(4) in significant reform and modernization of local recordkeeping of land title information.

DEFINITIONS

SEC. 3. For purposes of this Act— 12 USC 2602.

(1) the term "federally related mortgage loan" includes any loan (other than temporary financing such as a construction loan) which—

(A) is secured by a first lien on residential real property (including individual units of condominiums and cooperatives) designed principally for the occupancy of from one to four families; and

(B)(i) is made in whole or in part by any lender the deposits or accounts of which are insured by any agency of the Federal Government, or is made in whole or in part by any lender which is regulated by any agency of the Federal Government; or

(ii) is made in whole or in part, or insured, guaranteed, supplemented, or assisted in any way, by the Secretary or any other officer or agency of the Federal Government or under or in connection with a housing or urban development

88 STAT. 1725

program administered by the Secretary or a housing or related program administered by any other such officer or agency; or

(iii) is intended to be sold by the originating lender to the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, or a financial institution from which it is to be purchased by the Federal Home Loan Mortgage Corporation; or

(iv) is made in whole or in part by any "creditor", as defined in section 103(f) of the Consumer Credit Protection Act (15 U.S.C. 1602(f)), who makes or invests in residential real estate loans aggregating more than $1,000,000 per year; except that for the purpose of this Act, the term 'creditor' does not include any agency or instrumentality of any State

(2) the term "thing of value" includes any payment, advance, funds, loan, service, or other consideration;

(3) the term "settlement services" includes any service provided in connection with a real estate settlement including, but not limited to, the following: title searches, title examinations, the provision of title certificates, title insurance, services rendered by an attorney, the preparation of documents, property surveys, the rendering of credit reports or appraisals, pest and fungus inspections, services rendered by a real estate agent or broker, and the handling of the processing, and closing or settlement;

(4) the term "title company" means any institution which is qualified to issue title insurance, directly or through its agents, and also refers to any duly authorized agent of a title company;

(5) the term "person" includes individuals, corporations, associations, partnerships, and trusts; and

(6) the term "Secretary" means the Secretary of Housing and Urban Development.

(a)

UNIFORM SETTLEMENT STATEMENT

12 USC 2603. Sec. 4. The Secretary, in consultation with the Administrator of Veterans' Affairs, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board, shall develop and prescribe a standard form for the statement of settlement costs which shall be used (with such variations as may be necessary to reflect differences in legal and administrative requirements or practices in different areas of the country) as the standard real estate settlement form in all transactions in the United States which involve federally related mortgage loans. Such form shall conspicuously and clearly itemize all charges imposed upon the borrower and all charges imposed upon the seller in connection with the settlement and shall indicate whether any title insurance premium included in such charges covers or insures the lender's interest in the property, the borrower's interest, or both. The Secretary may, by regulation, permit the deletion from the form prescribed under this section of items which are not, under local laws or customs, applicable in any locality, except that such regulation shall require that the numerical code prescribed by the Secretary be retained in forms to be used in all localities. Nothing in this section may be construed to require that that part of the standard form which relates to the borrower's transaction be furnished to the seller, or to require that that part of the standard form which relates to the seller be furnished to the borrower.

(b) The form prescribed under this section shall be completed and made available for inspection by the borrower at or before settlement by the person conducting the settlement, except that (1) the Secretary may exempt from the requirements of this section settlements occurring in localities where the final settlement statement is not customarily provided at or before the date of settlement, or settlements where such requirements are impractical and (2) the borrower may, in accordance with regulations of the Secretary, waive his right to have the form made available at such time. Upon the request of the borrower to inspect the form prescribed under this section during the business day immediately preceding the day of settlement, the person who will conduct the settlement shall permit the borrower to inspect those items which are known to such person during such preceding day.

SPECIAL INFORMATION BOOKLETS

12 USC 2604. Sec. 5. (a) The Secretary shall prepare and distribute booklets to help persons borrowing money to finance the purchase of residential real estate better to understand the nature and costs of real estate settlement services. The Secretary shall distribute such booklets to all lenders which make federally related mortgage loans.

(b) Each booklet shall be in such form and detail as the Secretary shall prescribe and, in addition to such other information as the Secretary may provide, shall include in clear and concise language—

(1) a description and explanation of the nature and purpose of each cost incident to a real estate settlement;

(2) an explanation and sample of the standard real estate settlement form developed and prescribed under section 4;

(3) a description and explanation of the nature and purpose of escrow accounts when used in connection with loans secured by residential real estate;

(4) an explanation of the choices available to buyers of residential real estate in selecting persons to provide necessary services incident to a real estate settlement; and

(5) an explanation of the unfair practices and unreasonable or unnecessary charges to be avoided by the prospective buyer with respect to a real estate settlement.

Such booklets shall take into consideration differences in real estate settlement procedures which may exist among the several States and territories of the United States and among separate political subdivisions within the same State and territory.

(c) Each lender shall include with the booklet a good faith estimate of the amount or range of charges for specific settlement services the borrower is likely to incur in connection with the settlement as prescribed by the Secretary.

(d) Each lender referred to in subsection (a) shall provide the booklet described in such subsection to each person from whom it receives or for whom it prepares a written application to borrow money to finance the purchase of residential real estate. Such booklet shall be provided at the time of receipt or preparation of such application.

(e) Booklets may be printed and distributed by lenders if their form and content are approved by the Secretary as meeting the requirements of subsection (b) of this section.

PROHIBITION AGAINST KICKBACKS AND UNEARNED FEES

12 USC 2607. **Sec. 8. (a) No person shall give and no person shall accept any fee, kickback, or thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or a part of a real estate settlement service involving a federally related mortgage loan shall be referred to any person.**

(b) No person shall give and no person shall accept any portion, split, or percentage of any charge made or received for the rendering of a real estate settlement service in connection with a transaction involving a federally related mortgage loan other than for services actually performed.

(c) Nothing in this section shall be construed as prohibiting (1) the payment of a fee (A) to attorneys at law for services actually rendered or (B) by a title company to its duly appointed agent for services actually performed in the issuance of a policy of title insurance or (C) by a lender to its duly appointed agent for services actually performed in the making of a loan, (2) the payment to any person of a bona fide salary or compensation or other payment for goods or facilities actually furnished or for services actually performed, or (3) payments pursuant to cooperative brokerage and referral arrangements or agreements between real estate agents and brokers, or (4) such other payments or classes of payments or other transfers as are specified in regulations prescribed by the Secretary, after consultation with the Attorney General, the Administrator of Veterans' Affairs, the Federal Home Loan Bank Board, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Secretary of Agriculture.

(d)(1) Any person or persons who violate the provisions of this section shall be fined not more than $10,000 or imprisoned for not more than one year, or both. Penalties.

(2) In addition to the penalties provided by paragraph (1) of this subsection, any person or persons who violate the provisions of subsection (a) shall be jointly and severally liable to the person or persons whose business has been referred in an amount equal to three times the value or amount of the fee or thing of value, and any person or persons who violate the provisions of subsection (b) shall be jointly and severally liable to the person or persons charged for the settlement services involved in an amount equal to three times the amount of the portion, split, or percentage. In any successful action to enforce the liability under this paragraph, the court may award the court costs of the action together with a reasonable attorney's fee as determined by the court.

TITLE COMPANIES

Sec. 9. (a) No seller of property that will be purchased with the assistance of a federally related mortgage loan shall require directly or indirectly, as a condition to selling the property, that title insurance covering the property be purchased by the buyer from any particular title company. 12 USC 2608.

(b) Any seller who violates the provisions of subsection (a) shall be liable to the buyer in an amount equal to three times all charges made for such title insurance. Liability.

ESCROW ACCOUNTS

SEC. 10. A lender, in connection with a federally related mortgage loan, may not require the borrower or prospective borrower—

(1) to deposit in any escrow account which may be established in connection with such loan for the purpose of assuring payment of taxes, insurance premiums, or other charges with respect to the property, in connection with the settlement, an aggregate sum (for such purpose) in excess of a sum that will be sufficient to pay such taxes, insurance premiums and other charges attributable to the period beginning on the last date on which each such charge would have been paid under the normal lending practice of the lender and local custom, provided that the selection of each such date constitutes prudent lending practice, and ending on the due date of its first full installment payment under the mortgage, plus one-sixth of the estimated total amount of such taxes, insurance premiums and other charges to be paid on dates, as provided above, during the ensuing twelve-month period; or

(2) to deposit in any such escrow account in any month beginning with the first full installment payment under the mortgage a sum (for the purpose of assuring payment of taxes, insurance premiums and other charges with respect to the property) in excess of the sum of (A) one-twelfth of the total amount of the estimated taxes, insurance premiums and other charges which are reasonably anticipated to be paid on dates during the ensuing twelve months which dates are in accordance with the normal lending practice of the lender and local custom, provided that the selection of each such date constitutes prudent lending practice, plus (B) such amount as is necessary to maintain an additional balance in such escrow account not to exceed one-sixth of the estimated total amount of such taxes, insurance premiums and other charges to be paid on dates, as provided above, during the ensuing twelve-month period: *Provided, however*, That in the event the lender determines there will be or is a deficiency he shall not be prohibited from requiring additional monthly deposits in such escrow account to avoid or eliminate such deficiency.

LIMITATIONS AND DISCLOSURES WITH RESPECT TO CERTAIN FEDERALLY RELATED MORTGAGE LOANS

SEC. 11. (a) The Federal Deposit Insurance Act is amended by adding at the end thereof the following new section:

12 USC 1831b. "SEC. 25. (a) No insured bank, or mutual savings or cooperative bank which is not an insured bank, shall make any federally related mortgage loan to any agent, trustee, nominee, or other person acting in a fiduciary capacity without the prior condition that the identity of the person receiving the beneficial interest of such loan shall at all times be revealed to the bank. Report. At the request of the Corporation, the bank shall report to the Corporation on the identity of such person and the nature and amount of the loan, discount, or other extension of credit.

"(b) In addition to other available remedies, this section may be enforced with respect to mutual savings and cooperative banks which are not insured banks in accordance with section 8 of this Act, and for such purpose such mutual savings and cooperative banks shall be held and considered to be State nonmember insured banks and the appropriate Federal agency with respect to such mutual savings and cooperative banks shall be the Federal Deposit Insurance Corporation."

(b) Title IV of the National Housing Act is amended by adding at the end thereof the following new section:

12 USC 1730f. "SEC. 413. No insured institution shall make any federally related mortgage loan to any agent, trustee, nominee, or other person acting in a fiduciary capacity without the prior condition that the identity of the person receiving the beneficial interest of such loan shall at all times be revealed to the institution. At the request of the Federal Home Loan Bank Board, the insured institution shall report to the Board on the identity of such person and the nature and amount of the loan."

12 USC 1730f note. (c) The Federal Deposit Insurance Corporation or the Federal Home Loan Bank Board as appropriate may by regulation exempt classes or types of transactions from the provisions added by this section if the Corporation or the Board determines that the purposes of such provisions would not be advanced materially by their application to such transactions.

FEE FOR PREPARATION OF TRUTH-IN-LENDING AND UNIFORM SETTLEMENT STATEMENTS

12 USC 2610. SEC. 12. No fee shall be imposed or charge made upon any other person (as a part of settlement costs or othewise) by a lender in connection with a federally related mortgage loan made by it (or a loan for the purchase of a mobile home), for or on account of the preparation and submission by such lender of the statement or statements required (in connection with such loan) by sections 4 and 6 of this Act or by the Truth in Lending Act. 16 USC 1601 note.

ESTABLISHMENT ON DEMONSTRATION BASIS OF LAND PARCEL RECORDATION SYSTEM

SEC. 13. The Secretary shall establish and place in operation on a demonstration basis, in representative political subdivisions (selected by him) in various areas of the United States, a model system or systems for the recordation of land title information in a manner and form calculated to facilitate and simplify land transfers and mortgage transactions and reduce the cost thereof, with a view to the possible development (utilizing the information and experience gained under this section) of a nationally uniform system of land parcel recordation. 12 USC 2611

REPORT OF THE SECRETARY ON NECESSITY FOR FURTHER CONGRESSIONAL ACTION

SEC. 14. (a) The Secretary, after consultation with the Administrator of Veterans' Affairs, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board, and after such study, investigation, and hearings (at which representatives of consumers groups shall be allowed to testify) as he deems appropriate, shall, not less than three years nor more than five years from the effective date of this Act, report to the Congress on whether, in view of the implementation of the provisions of this Act imposing certain requirements and prohibiting certain practices in connection with real estate settlements, there is any necessity for further legislation in this area. Report to Congress. 12 USC 2612.

(b) If the Secretary concludes that there is necessity for further legislation, he shall report to the Congress on the specific practices or problems that should be the subject of such legislation and the corrective measures that need to be taken. In addition, the Secretary shall include in his report— Report to Congress.

(1) recommendations on the desirability of requiring lenders of federally related mortgage loans to bear the costs of particular real estate settlement services that would otherwise be paid for by borrowers;

(2) recommendations on whether Federal regulation of the charges for real estate settlement services in federally related mortgage transactions is necessary and desirable, and, if he concludes that such regulation is necessary and desirable, a description and analysis of the regulatory scheme he believes Congress should adopt; and

(3) recommendations on the ways in which the Federal Government can assist and encourage local governments to modernize their methods for the recordation of land title information, including the feasibility of providing financial assistance or incentives to local governments that seek to adopt one of the model systems developed by the Secretary in accordance with the provisions of section 13 of this Act.

DEMONSTRATION TO DETERMINE FEASIBILITY OF INCLUDING STATEMENTS OF SETTLEMENT COSTS IN SPECIAL INFORMATION BOOKLETS

12 USC 2613.

Report to Congress.

SEC. 15. The Secretary shall, on a demonstration basis in selected housing market areas, have prepared and included in the special information booklets required to be furnished under section 5 of this Act, statements of the range of costs for specific settlement services in such areas. Not later than June 30, 1976, the Secretary shall transmit to the Congress a full report on the demonstration conducted under this section. Such report shall contain the Secretary's assessment of the feasibility of preparing and including settlement cost range statements for all housing market areas in the special information booklets for such areas.

JURISDICTION OF COURTS

12 USC 2614.

SEC. 16. Any action to recover damages pursuant to the provisions of section 6, 8, or 9 may be brought in the United States district court for the district in which the property involved is located, or in any other court of competent jurisdiction, within one year from the date of the occurrence of the violation.

VALIDITY OF CONTRACTS AND LIENS

12 USC 2615.

SEC. 17. Nothing in this Act shall affect the validity or enforceability of any sale or contract for the sale of real property or any loan, loan agreement, mortgage, or lien made or arising in connection with a federally related mortgage loan.

RELATION TO STATE LAWS

12 USC 2616.

SEC. 18. This Act does not annul, alter, or affect, or exempt any person subject to the provisions of this Act from complying with, the laws of any State with respect to settlement practices, except to the extent that those laws are inconsistent with any provision of this Act, and then only to the extent of the inconsistency. The Secretary is authorized to determine whether such inconsistencies exist. The Secretary may not determine that any State law is inconsistent with any provision of this Act if the Secretary determines that such law gives greater protection to the consumer. In making these determinations the Secretary shall consult with the appropriate Federal agencies.

AUTHORITY OF THE SECRETARY

Rules and regulations. 12 USC 2617.

SEC. 19. (a) The Secretary is authorized to prescribe such rules and regulations, to make such interpretations, and to grant such reasonable exemptions for classes of transactions, as may be necessary to achieve the purposes of this Act.

(b) No provision of this Act or the laws of any State imposing any liability shall apply to any act done or omitted in good faith in conformity with any rule, regulation, or interpretation thereof by the Secretary or the Attorney General, notwithstanding that after such act or omission has occurred, such rule, regulation, or interpretation is amended, rescinded, or determined by judicial or other authority to be invalid for any reason.

Title 24—Housing and Urban Development

CHAPTER XX—OFFICE OF ASSISTANT SECRETARY FOR CONSUMER AFFAIRS AND REGULATORY FUNCTIONS, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. R-76-394]

PART 3500—REAL ESTATE SETTLEMENT PROCEDURES ACT

The Real Estate Settlement Procedures Act Amendments of 1975 (herein the "RESPA Amendments"), signed into law January 2, 1976 (Pub. L. 94-205), made significant changes in the Real Estate Settlement Procedures Act of 1974 (RESPA), (Pub. L. 93-533), 12 U.S.C. 2601, et seq. The RESPA Amendments repealed the original requirements of advance disclosure (section 6), the disclosure of the previous selling price (section 7) and the Truth-in-Lending provisions of section 4. In their place lenders are required to provide borrowers, at time of loan application, good faith estimates of settlement costs. Persons conducting settlement are required to provide borrowers with an opportunity to inspect their settlement statements one day prior to settlement. The RESPA Amendments authorized the suspension, until June 30, 1976, of the RESPA provisions dealing with advance inspection of the Uniform Settlement Statement, use of the Special Information Booklet and the provision for good faith estimates, to allow for orderly implementation and public comment on these provisions.

On January 9, 1976, regulations were issued under this part (41 FR 1672) to conform Regulation X to the RESPA Amendments. These regulations are now superseded by the following Regulation X effective June 30, 1976.

On March 29, 1976 (41 FR 13032) the Department issued a notice of proposed rule-making with respect to the Real Estate Settlement Procedures Act. This proposal would implement the entire RESPA program including certain suspended provisions, and would make various technical and editorial changes.

Over 240 comments were received and the Department is now issuing a final rule which adopt various changes to the proposed regulations. These changes are set forth hereinafter. Most of these changes are in response to comment, however the Department is making certain other modifications at its own initiative. Of the technical changes being made hereby, of principal note is the recodification of these RESPA regulations under 24 CFR Chapter XX. In the time since the first RESPA regulations were issued, the Department has established a new Assistant Secretary for Consumer Affairs and Regulatory Functions to whom responsibility for the program has been delegated. 41 FR 19365. Since parts 0-199 are reserved under Subtitle VIII to the use of the Secretary, these RESPA regulations should properly now be incorporated in Chapter XX and are therefore being recodified in that Chapter as Part 3500.

SUMMARY OF RESPA PROVISIONS

General. While many comments submitted indicated general acceptance of RESPA requirements, there were numerous specific comments directed at improving or deleting particular sections. Only a few commenters called for the outright repeal of RESPA on the grounds that these provisions would not assist consumers, but would create unnecessary work for lenders and additional costs to consumers. Many commenters felt that lenders should be given considerable flexibility in implementing RESPA provisions because of the wide variations of settlement procedures between localities. The regulations have been amended to achieve flexibility.

Coverage. Coverage of RESPA and Regulation X has been restricted to first mortgage loans secured by 1-4 family residential properties made by a federally regulated or insured lender (see § 3500.5). Included in the definition of a "federally related mortgage loan" is the refinancing of land sales contracts where the proceeds of the loan are used to finance the acquisition of legal title pursuant to the land sales contract. Otherwise, if legal title is not transferred to the purchaser upon execution of the contract the transaction is not covered by the regulations. Loans eligible for but not intended to be sold by the originating lender to the Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), or the Federal Home Loan Mortgage Corporation (FHLMC), or to a financial institution from which it is to be purchased by FHLMC are exempt. Also exempt are all construction loans, assumptions, novations, and sales or transfers subject to a preexisting loan (except as noted in § 3500.5(d) (4, 5 & 6) of the regulations).

Reliance upon Rule, Regulation, or Interpretation. The Secretary is authorized by section 19 of RESPA to prescribe such rules, regulations and interpretations as are necessary to achieve the purposes of RESPA. Any act done or omitted in good faith in conformity with such rules, regulations or interpretations will not result in liability under the Act or state law. Rules, regulations or interpretations have been defined to include Regulation X, the Uniform Settlement Statement (HUD-1) and Appendices to Regulation X. A number of commenters suggested that this definition be extended to written statements from the Secretary, General Counsel, and Assistant Secretary for Consumer Affairs and Regulatory Functions. Where a question arises as to the application of a provision (except for Section 8 of RESPA and related issues), to a specific fact situation, the Assistant Secretary for Consumer Affairs and Regulatory Functions may issue a written response. Such response, however, would not constitute an "interpretation" pursuant to Section 19 of RESPA. Where the situation is a product of state law or otherwise likely to recur, the Secretary may issue a binding interpretative ruling by appending said ruling to Regulation X and by publication of the letter of interpretation in the FEDERAL REGISTER.

Special Information Booklet and Good Faith Estimates. The proposed regulations required the lender to provide the borrower with a Special Information Booklet no later than one day after the lender receives or prepares a written mortgage loan application on an application form or forms normally used by that lender. A number of commenters indicated that it would be extremely difficult to provide the good faith estimates within one business day of receipt where the application is received by an agent who normally would not provide such estimates. The Department has modified the proposed regulations to meet this concern by allowing up to three business days after loan application. The intent of the regulations is to provide the good faith estimates as soon as possible.

The proposed regulations of March 29 provided for inclusion in the Special Information Booklet of information where the lender required use of a particular provider or three or less providers for a particular service.

The regulations published for effect instead require a statement as part of the good faith estimates where the lender requires a particular provider to be used. The revised requirement only applies where one provider is required to be used by the lender, and only requires identification of the provider and a statement whether the provider has a business relationship with the lender. There is no requirement to describe the business relationship. Numerous comments were received objecting to the proposed requirement for a statement whether other providers would provide the service at a lower cost. That requirement has been deleted.

In such cases, the lender is required to base the estimate of the charge on the lender's knowledge of charges imposed by the selected provider. These requirements, which are contained in Section 3500.7(b) and (e), are issued pursuant to RESPA Section 5(c). It should be noted that House Report No. 94-667 regarding the RESPA amendments stated at page 5: "Where the lender will arrange to have a settlement service provided by a particular provider, the prospective borrower should be so informed and the estimates given should reflect the lender's knowledge of the cost of that service."

Form of Good Faith Estimates. Section 5(c) of RESPA requires that the lender provide the borrower with the booklet and a good faith estimate of the amount or range for each charge for specific settlement services that the borrower is likely to incur in connection with the settlement. In the March 29th proposed rules, good faith estimates were required for a subset of settlement charges. Comment was made to the effect that estimates for charges computed on the basis of the actual date of settlement (reserves and prepaid items) could not be provided. Based on public comments, Regulation X was revised to require that lenders provide good faith estimates for all settlement services reported in Section L of the Uniform Settlement Statement except item 903 and series 1000 (Reserves Deposited with Lender). With respect to item 901 (Prepaid Interest) and 902 (Prepaid Mortgage Insurance Premium) the lender is required to state the maximum amount which can be collected at settlement. The lender's reserve requirements were not included in the required disclosure because the date of settlement and other variables are not usually within the lender's knowledge at time of loan application and represented a considerable origination burden.

The techniques used to develop the good faith estimates for either approach have not been specified in the regulations and are left to the lender. The Department recognizes that there are several ways of arriving at good faith estimates and the regulations do not restrict lenders to any specific approach. However, under Section 3500.7(b), the estimate of the amount or range of cost must bear a reasonable relationship to the borrower's ultimate cost for each settlement charge.

Uniform Settlement Statement (HUD–1). The regulation now permits lenders substantial flexibility in reproducing HUD–1 with adjustments to the form to allow for variations in settlement services between localities. The regulations provide that where the blank lines on HUD–1 are not adequate to take care of local insertions, additional spaces may be added without HUD approval. Also the previous restrictions on distances between lines and the size of the page have been removed. This means that space or lines may be added vertically and horizontally where the space on the HUD–1 is inadequate. This will permit, for example, listing pay-offs of prior liens and the time periods involved in prorations. In addition, the regulations do not restrict type size or style and do not require that local insertions appear in a different style of type. Finally, it is no longer necessary for information concerning sellers costs to be included on the buyer's copy of HUD–1 and vice versa.

Numerous comments were received indicating the need for additional space on the form for the inclusion of customary recitals and information used locally in real estate settlement. The regulations now provide that an additional page may be attached to HUD–1 for this purpose or, if space on the form permits, this information may be added at the end of the form.

Several comments indicated a need for signature lines other than after line 1400 of the form. The final regulations do not restrict the placing of signature lines on the form. A few commenters suggested that the HUD–1 not be changed from its original format due to the cost of modifying their computer programs. The changes reflected in the revision of the form are based on experience gained from both manual and computer use of the form. The greater flexibility allowed in the final regulations to simplify the design of the form for computer application should minimize extensive reprogramming.

All settlement service charges are to be included in Section L of the HUD–1 except charges for services which (1) are not required by the Lender and (2) are paid for separately outside of settlement. When the lender requires the borrower to secure a settlement service and it is paid outside of settlement, the charge is to be included in Section L and noted as a charge paid outside of settlement.

Many comments requested that the authority to exhaust supplies of the original HUD–1 be extended to all persons conducting settlement as well as lenders. The regulations have been modified to permit this. The form has also been modified to cover situations where the lender is not the person conducting settlement. The person conducting the settlement is required to provide the lender with a copy which contains both buyer and seller information. The lender is required to retain this copy for two years, and, if a copy is required by HUD or another Federal agency, a legible reproduction of this copy may be used.

In enacting the RESPA Amendments, Congress concluded that there were certain RESPA transactions for which use of the Uniform Settlement Statement should not be required. The final regulations exempt from the use of HUD–1, RESPA transactions in which the borrower is not required to pay any settlement charges or adjustments. Also exempted are transactions in which the total amount the borrower is required to pay at settlement is a fixed amount and the borrower is so informed at the time of loan application.

Section 4 of RESPA now requires (1) that the Uniform Settlement Statement be completed and delivered at or before settlement by the person conducting settlement and (2) that on the business day before settlement, the borrower, upon request, be allowed to inspect such Uniform Settlement Statement information as the person conducting settlement has available. HUD was given the authority to exempt from this provision those settlement transactions occurring in localities where the Uniform Settlement Statement is not customarily provided at or before the date of settlement or where meeting this requirement is impractical. Numerous comments were received requesting an exemption. The Department decided not to provide blanket exemptions by jurisdiction as proposed in the March 29 proposed rules because this would result in inequities to borrowers. Exemptions tied to the specific types of transactions were considered more appropriate. The regulations, § 3500.10(d), exempt those particular settlement transactions where the borrower (or the borrower's agent) does not attend the settlement or where the person conducting settlement does not require a meeting. This is intended to cover the "escrow" type closings and special situations where the borrower or borrower's agent traditionally is not present at the settlement. When a transaction qualifies under this exemption, the person conducting settlement is required to mail to both the borrower and the seller the Uniform Settlement Statement as soon as practicable after settlement.

Prohibition Against Kickbacks and Unearned Fees. The proposed rules of March 29 contained regulations pertaining to kickbacks and unearned fees. Most changes in these regulations were limited to clarifying language. A change from the proposed rules is contained in § 3500.14(d) which clarifies the Department's intention that a payment of a thing of value pursuant to an agreement or understanding that settlement will be referred is a violation of Section 8. Two new fact-comment situations, No. 9 and No. 10, were added to Appendix B to respond to industry practices developed partially in response to the Section 8 prohibitions.

Distribution of Revised Booklet and Form. The Department expects that lenders will use regular sources of supplies to secure copies of the Special Information Booklet and HUD–1. Recognizing that regular sources may not have these documents before June 30, the Department intends to provide each lender (supervised by the Federal Home Loan Bank Board, Federal Reserve Board, Federal Deposit Insurance Corporation, Comptroller of the Currency, National Credit Union Administration or HUD) a copy of the final booklet. This copy will be mailed to the lender by the appropriate supervising agency. Lenders will be authorized to duplicate copies for distribution to loan applicants. Lenders who are not supervised by the before mentioned agencies, and who need a copy of the Special Information Booklet and HUD–1, can submit a request to the Assistant Secretary for Consumer Affairs and Regulatory Functions (including a self-addressed label). A copy of both the booklet and the form will be sent. The address is Suite 4100, Attention: RESPA, Department of Housing and Urban Development, 451 7th Street SW., Washington, D.C. 20410.

A finding of inapplicablity of section 102(2)(C) of the National Environmental Policy Act of 1969 has been made with respect to this rule, in accordance with HUD Handbook Section 1300.1. A similar finding of inapplicability, as required by OMB circular A–107, has been made with respect to potential inflation impact of the rule. Copies of these findings are available during regular business hours for public inspection in the Office of the Rules Docket Clerk, Office of the Secretary, Room 10141, Department of Housing and Urban Development, 451 7th Street, SW., Washington, D.C.

Accordingly, Subtitle B of Title 24 is amended by adopting a new Part 3500–Real Estate Settlement Procedures to read as follows:

Sec.
3500.1 Authority, scope and purpose.
3500.2 Definitions.
3500.3 No delegation of authority to HUD field offices.
3500.4 Reliance upon rule, regulation or interpretation by HUD.
3500.5 Coverage of RESPA.
3500.6 Special Information Booklet at time of loan application.

Sec.
3500.7 Good Faith Estimates of Settlement Services.
3500.8 Use of Uniform Settlement Statement Form.
3500.9 Printing and duplication of Uniform Settlement Statement form.
3500.10 One day advance inspection of Uniform Settlement Statement; delivery.
3500.11 Mailing.
3500.12 No fee.
3500.13 Relation to state laws.
3500.14 Prohibitions against kickbacks and unearned fees.

Appendix A—Instructions for completing Uniform Settlement Statement (HUD 1).
Appendix B—Facts and comments on section 8 which provide further clarification of regulations.

AUTHORITY: Real Estate Settlement Procedures Act of 1974, Pub. L. 93-533 (12 U.S.C. 2601 et seq.), Real Estate Settlement Procedures Act Amendments of 1975 (Pub. L. 94-205).

§ 3500.1 Authority, scope and purpose.

This part, which may be referred to as Regulation X, comprises the regulations issued by the Secretary of Housing and Urban Development pursuant to the Real Estate Settlement Procedures Act of 1974 (Pub. L. 93-533), 12 U.S.C. 2061, et seq., as amended by the Real Estate Settlement Procedures Act Amendments of 1975 (Pub. L. 94-205) herein "RESPA".

§ 3500.2 Definitions.

(a) "Date of Settlement" means the date on which the documents creating the security interest in real property become effective as between the borrower and the Lender, except that in the conversion of a construction loan to a permanent security interest in real property to finance purchase by a first user, Date of Settlement shall be the date on which title is transferred as between seller and buyer not subject to revocation by seller or buyer.

(b) "Federally Related Mortgage Loan" is defined in § 3500.5.

(c) "Lender" means the secured creditor or creditors named as such in the debt obligation and document creating the lien or other security interest.

(d) "Mortgaged Property" means the real property covered by the Federally Related Mortgage Loan, or the cooperative unit with respect to which stock is pledged to secure the Federally Related Mortgage Loan.

(e) "Person" means any individual, corporation, partnership, trust, association or other entity.

(f) "RESPA" means the Real Estate Settlement Procedures Act of 1974 (Pub. L. 93-533), U.S.C. 2601 et seq., as amended by the Real Estate Settlement Procedures Act Amendments of 1975 (Pub. L. 94-205).

(g) "Secretary" means the Secretary of Housing and Urban Development or any official delegated the authority of the Secretary with respect to RESPA.

(h) "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and any territory or possession of the United States.

§ 3500.3 No delegation of authority to HUD Field Offices.

No authority granted to the Secretary under RESPA has been delegated to HUD Regional Offices, HUD Area Offices or HUD Insuring Offices. Any questions or suggestions from the public regarding RESPA should be directed to the Office of Consumer Affairs and Regulatory Functions, Attention: RESPA, Department of Housing and Urban Development, Room 4100, 451 7th Street, SW., Washington, D.C. 20410.

§ 3500.4 Reliance upon rule, regulation or interpretation by HUD.

(a) Section 19(b) of RESPA provides: "No provision of this Act or the laws of any State imposing any liability shall apply to any act done or omitted in good faith in conformity with any rule, regulation, or interpretation thereof by the Secretary or the Attorney General, notwithstanding that after such act or omission has occurred, such rule, regulation, or interpretation is amended, rescinded, or determined by judical or other authority to be invalid for any reason."

(b) For purposes of Section 19(b) of RESPA only the following constitute a "rule, regulation, or interpretation thereof by the Secretary":

(1) The Uniform Settlement Statement, HUD-1, and HUD instructions set forth in Appendix A; and

(2) All other provisions, Appendices and Amendments thereto contained in this part, but not including any document referred to in this part except to the extent such document is set forth in this part.

(c) A "rule, regulation, or interpretation thereof by the Secretary" for purposes of section 19(b) of RESPA shall not include the Special Information Booklet prescribed by the Secretary or any other statement or issuance, whether oral or written, by an officer or representative of HUD, letter or memorandum by the Secretary, General Counsel, any Assistant Secretary or other officer or employee of HUD, preamble to a regulation or other issuance of HUD, report to Congress, pleading, affidavit or other document in litigation, pamphlet, handbook, guide, telegraphic communication, explanation, instructions to forms, speech or other material of any nature which is not specifically included in paragraph (b) of this section.

§ 3500.5 Coverage of RESPA.

(a) *Applicability.* RESPA and this part as applicable to all Federally Related Mortgage Loans.

(b) *Definition of Federally Related Mortgage Loan.* "Federally Related Mortgage Loan" means a loan which is not made to finance an exempt transaction specified in subsection (d), below, and which meets all of the following four requirements:

(1) The proceeds of the loan are used in whole or in part to finance the purchase by the borrower, or other transfer of legal title of the Mortgaged Property. Execution of an instrument creating a security interest is not considered to be a transfer of legal title for purposes of this part;

(2) The loan is secured by a first lien or other first security interest covering real estate, including a fee simple, life estate, remainder interest, ground lease or other long-term leasehold estate:

(i) Upon which there is located a structure designed principally for the occupancy of from 1 to 4 families; or

(ii) Upon which there is located a mobile home; or

(iii) Upon which a structure designed principally for the occupancy of from 1 to 4 families is to be constructed using proceeds of the loan; or

(iv) Upon which there will be placed a mobile home to be purchased using proceeds of the loan; or

(v) Which is a condominium unit (or a first lien covering a cooperative unit) designed principally for the occupancy of from 1 to 4 families;

(3) The Mortgaged Property is located in a State; and

(4) The loan (i) is made by a Lender meeting the requirements of paragraph (c), below, or (ii) is made in whole or in part, or insured, guaranteed, supplemented, or assisted in any way, by the Secretary or other officer or agency of the Federal Government, or (iii) is made in connection with a housing or urban development program administered by the Secretary or other agency of the Federal Government, or (iv) is intended to be sold by the originating lender to the Federal National Mortgage Association (FNMA), the Government National Mortgage Association (GNMA), or the Federal Home Loan Mortgage Corporation (FHLMC), or to a financial institution which intends to sell the mortgage to FHLMC.

(c) A Lender is within paragraph (b)(4)(i) if it is:

(1) A lending institution the deposits or accounts of which are insured by the Federal Savings and Loan Corporation (FSLIC), the Federal Deposit Insurance Corporation (FDIC) or any other agency of the Federal Government.

(2) A lending institution which is regulated by the Federal Home Loan Bank Board or any other agency of the Federal Government, or

(3) A "creditor", as defined in section 103(f) of the Consumer Credit Protection Act (15 U.S.C. 1602(f)), who makes or invests in residential real estate loans aggregating more than $1,000,000 in either the calendar year in which the Date of Settlement of the Federally Related Mortgage Loan in question occurs or the calendar year prior thereto, except that the term "creditor" does not include any agency or instrumentality of any state. Section 103(f) of the Consumer Credit Protection Act defines "creditor" as follows:

> ". . . The term 'creditor' refers only to creditors who regularly extend, or arrange for the extension of, credit which is payable by agreement in more than four installments or for which the payment of a finance charge is or may be required, whether in con-

nection with loans, sales of property or services, or otherwise."

(d) *Exempt transactions.* This part shall not apply to:

(1) A loan to finance the purchase or transfer of a property of 25 or more acres;

(2) A home improvement loan, loan to refinance, or other loan where the proceeds are not used to finance the purchase or transfer of legal title to the property;

(3) A loan to finance the purchase or transfer of a vacant lot, where no proceeds of the loan are to be used for the construction of a 1 to 4 family residential structure or for the purchase of a mobile home to be placed on the lot;

(4) An assumption, novation, or sale or transfer subject to a pre-existing loan, except that the use of or conversion of a construction loan to a permanent mortgage loan to finance purchase by the first user;

(5) A construction loan, except where the construction loan is used as or converted to a permanent loan to finance purchase by the first user;

(6) A permanent loan the proceeds of which will be used to finance the construction of a 1 to 4 family structure, where the lot is already owned by the borrower or borrowers;

(7) A loan to finance the purchase of a property where the primary purpose of the purchase is for resale; or

(8) Execution of a land sales contract or installment land contract where the legal title is not transferred to the purchaser upon execution. However, a loan to finance the acquisition of title pursuant to a land sales contract is a Federally Related Mortgage Loan.

§ 3500.6 Special Information Booklet at time of loan application.

(a) *Lender to provide information booklet.* The Lender shall provide a copy of the Special Information Booklet currently prescribed by the Secretary, together with the Good Faith Estimates of closing costs required under Section 3500.7, to every person from whom the Lender receives or for whom it prepares a written application on an application form or forms normally used by the Lender for a Federally Related Mortgage Loan. Where more than one individual applies for a loan, the Lender is in compliance with this requirement if the Lender supplies a copy of the Special Information Booklet to one of the individuals applying. The Lender shall supply the Special Booklet by delivering it or placing it in the mail to the applicant on the day the application is received not later than three business days after the application is received. The Lender shall supply the Good Faith Estimates by delivering or placing the mail or not later than three business days after the application is received.

(b) *Printing and duplication.* The Secretary may from time to time revise the Special Information Booklet. The Special Information Booklet may be printed or reproduced in any form, provided that no change is made, other than as provided under subsection (c) below. The Special Information Booklet may not be made a part of a larger document for purposes of distribution under RESPA and this section. Any color, size and quality of paper, type of print, and method of reproduction may be used so long as the booklet is clearly legible and easily readable.

(c) *Permissible changes.* No changes to, deletions from or additions to the foreword and text of the Special Information Booklet currently prescribed by the Secretary shall be made other than those specified below or any others approved in writing by the Secretary.

(1) The cover of the booklet may be in any form and may contain any drawings, pictures, of artwork, provided that the words "settlement costs" are used in the title. Names, addresses and telephone numbers of the Lender or others and similar information may appear on the cover, but no discussion of the matters covered in the booklet shall appear on the cover.

(2) The Special Information Booklet may be translated into other languages.

§ 3500.7 Good faith estimates of settlement services.

(a) *Lender to provide Good Faith Estimates with information booklet at time of loan application.* The Lender shall provide the Good Faith Estimates required under this section to every person to whom it must provide a copy of the Special Information Booklet under § 3500.6 of this part. Time of provision is set forth in § 3500.6(a).

(b) *Good Faith Estimate.* The Lender shall provide a good faith estimate, as a dollar amount or range, of each charge for a settlement service which the borrower is likely to incur. Each such good faith estimate must bear a reasonable relationship to the charge a borrower is likely to be required to pay at settlement, and must be based upon experience in the locality or area in which the Mortgaged Property is located.

As to each charge with respect to which the Lender requires a particular settlement service provider to be used, the Lender shall make its good faith estimate based upon the Lender's knowledge of the amounts charged by such provider.

(c) *Settlement Services for which Good Faith Estimates are required.* The Lender is required to provide the loan applicant with a Good Faith Estimate for each settlement charge which will be listed in Section L (except item 903 and series 1000 of Section L) of the Uniform Settlement Statement which the Lender anticipates that the borrower will pay at settlement based upon the Lender's general experience as to which party normally pays each charge in the locality.

(d) *Form of Good Faith Estimates.* The Lender may provide the loan applicant with the required Good Faith Estimates on any form, including Section L., of the Uniform Settlement Statement, which the Lender determines to use, if the following requirements are met:

(1) The form must be clear and concise. It shall include the Lender's name. The form shall set forth in bold type the following or a substantially equivalent statement: "This form does not cover all items you will be required to pay in cash at settlement, for example, deposit in escrow for real estate taxes and insurance. You may wish to inquire as to the amounts of such other items." You may be required to pay other additional amounts at settlement.

(2) The terminology shall be identical, so far as practicable, to the terms used in the Uniform Settlement Statement (HUD-1) or the terms which will be inserted in blank spaces in the Uniform Settlement Statement. Lenders are encouraged, but are not required, to set forth the items numbers for each item which appears in the Uniform Settlement Statement (HUD-1).

(3) Additional information relating to a stated item may be provided. Charges which may be grouped together pursuant to the instructions of the Uniform Settlement Statement may be grouped in this disclosure. For example, the amount for several title charges (listed as lines 1101-1106 of the Uniform Settlement Statement) may, in some jurisdictions, customarily be included in an attorney's fee (listed as line 1107).

(e) *Description of Lender's requirements on selection of providers.* Where the Lender requires that a particular provider (or affiliated group of providers, such as a law firm) be used to provide legal services, title examination services or title insurance or to conduct settlement and requires the borrower to pay all or a portion of the cost of such services (regardless of the interests represented by the provider), the Lender is required to include as part of the Good Faith Estimate, a statement which clearly designates the corresponding estimated charges, and states:

(1) The name, address and telephone number of each provider designated by the Lender, the services which would be rendered by such provider, and the fact that Lender's estimate is based upon the charges of the designated provider; and

(2) A statement whether or not each such provider has a business relationship with the Lender.

(f) As to each Federally Related Mortgage Loan which is exempt from the use of the Uniform Settlement Statement by reason of Section 3500.8(d) of this part, the lender shall keep an accurate record for two years of the itemized list of the settlement services provided, the exact charge, if any, which is to be imposed at settlement, and the subparagraph (Section 3500.8(d)(1) or (d)(2)) under which the exemption is granted. With respect to a transaction which is exempt under Section 3500.8(d)(2), the lender shall deliver or place in the mail to the borrower not later than three business days after loan application a statement of the amount of the fixed charge and a statement of the settlement services and other items covered by such charge.

§ 3500.8 Use of Uniform Settlement Statement Form.

(a) *Use of HUD–1.* As required by section 4 of RESPA, the Uniform Settlement Statement (HUD–1, set forth in Appendix A) shall be used by the person conducting settlement in every Federally Related Mortgage Loan settlement transaction whether or not such person is the Lender. Persons conducting settlements may exhaust supplies of the original HUD–1 which are in stock at the time these regulations take effect.

(b) *Charges to be stated.* The Uniform Settlement Statement, HUD–1, shall be completed to itemize all charges to be paid by the borrower and the seller in connection with the settlement, except those charges not imposed upon the borrower or seller by the Lender and which the borrower or seller contract to pay for separately outside of the settlement. Charges which are required by the Lender but paid outside of closing shall be included on the statement but marked "P.O.C.", as provided in the general instructions to the form. Lines and columns which relate to the borrower's transaction may be deleted from the copy of the form which will be furnished to the seller and lines and columns which relate to the seller's transaction may be deleted from the copy of the form which will be furnished to the borrower.

(c) *Recordkeeping.* The person conducting the settlement shall provide the Lender with a copy of each settlement statement (both borrower's and seller's copies, where different) required to be prepared pursuant to section 4 of RESPA. The Lender shall retain the settlement statement for two years after the date of settlement unless the Lender disposes of its interest in the mortgage and does not service the mortgage. The Lender may permit its copy of the settlement statement to be delivered to the owner or servicer of the mortgage as a part of the transfer of the loan file. If copy of the settlement statement is required to be submitted to the Secretary or other Federal agency, a legible reproduction of the copy retained by the Lender may be used to meet this requirement.

(d) *RESPA Transactions exempt from the use of the Uniform Settlement Statement.* (1) Transactions in which the borrower is not required to pay any settlement charges or adjustments.

(2) Transactions in which the borrower is required to pay a fixed amount for all charges imposed at settlement and the borrower is informed of the fixed amount at the time of loan application.

§ 3500.9 Printing and duplication of Uniform Settlement Statement Form.

(a) *Permissible changes.* The Uniform Settlement Statement form, HUD–1, may be reproduced with the following permissible changes and insertions:

(1) The person reproducing the form may insert in Section A its business name and/or logotype and may rearrange, but not delete, the other information which appears in Section A.

(2) The name, address and other information regarding the Lender and settlement agent (person conducting settlement), respectively, may be printed in Sections F and H.

(3) Reproduction of HUD–1 must conform to the terminology, sequence and numbering of line items as presented in lines 100–1400 which are not used locally or in connection with mortgages by the Lender may be deleted, except for the following: Lines 100, 120, 200, 220, 300, 301, 302, 303, 400, 420, 500, 520, 600, 601, 602, 603, 700, 800, 900, 1000, 1100, 1200, 1300, and 1400. The form may be correspondingly shortened. The number of a deleted item shall not be used for a substitute or new item, but the number of a blank space on HUD–1 may be used for a substitute or new item.

(4) Charges not listed on HUD–1 but which are customary locally or pursuant to the Lender's practice may be inserted in blank spaces; or where existing blank spaces on HUD–1 are insufficient, additional lines and spaces may be added and numbered in sequence with HUD–1 spaces.

(5) The following variations in layout and format are within the discretion of persons reproducing HUD–1 and do not require prior HUD approval: size of pages; tint or color of pages; size and style of type or print; vertical spacing between lines or provision for additional horizontal space on lines (for example, to provide sufficient space for recording time periods used in prorations); printing of HUD–1 contents on separate pages, on the front and back of a single page, or on one continuous page; use of multicopy tear-out sets; printing on rolls for computer purposes; reorganization of Sections B through I where necessary to accommodate computer printing; placement on the form the HUD number but not the OMB approval number, neither of which in any case may be deleted from the form.

(6) The borrower's information and the seller's information may be provided on separate pages.

(7) Signature lines may be added.

(8) The form may be translated into any other language.

(9) An additional page may be attached to HUD–1 for the purpose of including customary recitals and information used locally in real estate settlements, for example, breakdown of payoff figures; a breakdown of mortgagor's total monthly mortgage payments; check disbursements; a statement indicating receipt of funds; applicable special stipulations between buyer and seller; and the date funds are transferred. If space permits, such information may be added at the end of HUD–1.

(b) Any other deviation in the form is only permissible upon receipt of written approval of the Secretary. A request to the Secretary for approval may be submitted in writing to the Assistant Secretary for Consumer Affairs and Regulatory Functions, Attention: RESPA, Room 4100, 451 7th Street, SW., Washington, D.C. 20410, stating the reasons why the applicant believes such deviation is needed. Prior to receiving such approval, the prescribed form must be used.

§ 3500.10 One day advance inspection of Uniform Settlement Statement; delivery.

(a) *Inspection one day prior to settlement.* Except as provided in paragraph (d), upon the request of the borrower, the person conducting the settlement shall permit the borrower to inspect the Uniform Settlement Statement, completed to set forth those items which are known to such person at the time of inspection, during the business day immediately preceding the Date of Settlement.

(b) *Delivery.* The Uniform Settlement Statement shall be delivered or mailed to the borrower and the seller or their agents at or before settlement, except as provided in paragraphs (c) and (d).

(c) *Waiver.* The borrower may waive the right to delivery of the completed Uniform Settlement Statement no later than at settlement by executing a written waiver at or before settlement. In such case, the completed Uniform Settlement Statement shall be mailed or delivered to the borrower and seller as soon as practicable after settlement.

(d) *Exempt transactions.* Where the borrower or the borrower's agent does not attend the settlement or where the person conducting settlement does not require a meeting of the parties for that purpose, the transaction shall be exempt from the requirements of paragraphs (a) and (b) above, except that the Uniform Settlement Statement shall be delivered as soon as practicable after settlement.

§ 3500.11 Mailing.

The provisions of this part requiring or permitting mailing of settlement statements or other documents shall be deemed to be satisfied by placing the document in the mail (whether or not received by the addressee) addressed to the addresses stated in the loan application or in other information submitted to or obtained by Lender at the time of loan application, or submitted to or obtained by the Lender or person conducting settlement, except that a revised address shall be used where the Lender or such other person has been expressly informed in writing of a change of address.

§ 3500.12 No fee.

As provided in section 12 of RESPA, no fee shall be imposed or charge made upon any other person, as a part of settlement costs or otherwise, by a Lender in connection with or on account of the preparation and distribution of the statement required by section 4 of RESPA (Uniform Settlement Statement) or by the Truth in Lending Act.

§ 3500.13 Relation to State laws.

Section 18 of RESPA provides:

> This Act does not annul, alter, or affect or exempt any person subject to the provi-

> sions of this Act from complying with the laws of any State with respect to settlement practices, except to the extent that those laws are inconsistent with any provision of this Act, and then only to the extent of the inconsistency. The Secretary is authorized to determine whether such inconsistencies exist. The Secretary may not determine that any State law is inconsistent with any provision of this Act if the Secretary determines that such law gives greater protection to the consumer. In making these determinations the Secretary shall consult with the appropriate Federal agencies.

A determination by the Secretary that such an inconsistency exists shall be made, after consultation with appropriate Federal agencies, by publication of a notice in the FEDERAL REGISTER.

§ 3500.14 Prohibition against kickbacks and unearned fees.

(a) *Statutory prohibitions.* Section 8 of RESPA provides:

> (a) No person shall give and no person shall accept any fee, kickback, or thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or a part of a real estate settlement service involving a federally related mortgage loan shall be referred to any person.
>
> (b) No person shall give and no person shall accept any portion, split, or percentage of any charge made or received for the rendering of a real estate settlement service in connection with a transaction involving a federally related mortgage loan other than for services actually performed.
>
> (c) Nothing in this section shall be construed as prohibiting (1) the payment of a fee (A) to attorneys at law for services actually rendered or (B) by a title company to its duly appointed agent for services actually performed in the issuance of a policy of title insurance or (C) by a lender to its duly appointed agent for services actually performed in the making of a loan, (2) the payment to any person of a bona fide salary or compensation or other payment for goods or facilities actually furnished or for services actually performed,
>
> or (3) payments pursuant to cooperative brokerage and referral arrangements or agreements between real estate agents and brokers, or (4) such other payments or classes of payments or other transfers as are specified in regulations prescribed by the Secretary, after consultation with the Attorney General, the Administrator of Veterans' Affairs, the Federal Home Loan Bank Board, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Secretary of Agriculture.
>
> (d)(1) Any person or persons who violate the provisions of this section shall be fined not more than $10,000 or imprisoned for not more than one year, or both.
>
> (2) In addition to the penalties provided by paragraph (1) of this subsection, any person or persons who violate the provisions of subsection (a) shall be jointly and severally liable to the person or persons whose business has been referred in an amount equal to three times the value or amount of the fee or thing of value, and any person or persons who violate the provisions of subsection (b) shall be jointly and severally liable to the person or persons charged for the settlement services involved in an amount equal to three times the amount of the portion, split, or percentage. In any successful action to enforce the liability under this paragraph, the court may award the court costs of the action together with a reasonable attorney's fee as determined by the court.

(b) *Thing of value.* "Thing of value" is broadly defined by section 3(2) of RESPA to include any payment, advance, fund, loan, service, or other consideration. Under section 8 of RESPA, a thing of value may be provided either directly or indirectly to the person referring settlement business and can take many forms including, but not limited to, monies, things, discounts, salaries, commissions, fees, duplicate payments of a charge, stock, dividends, distributions of partnership profits, credits representing monies that may be paid at a future date, special bank deposits or accounts, banking terms, special loan or loan guarantee terms, services of all types at special or free rates, and sales or rentals at special prices or rates.

(c) *Agreement or understanding.* An agreement or understanding for the referral of settlement business need not be verbalized but may be established by a practice, pattern or course of conduct pursuant to which the payor and recipient of the thing of value understand that the payment is in return for the referral of business. A payment that is made repeatedly and is connected in any way with the volume or value of the business referred to the payor by the recipient is presumptively pursuant to an agreement or understanding.

(d) *Payment of thing of value for referral of business.* Any person who gives and any person who receives any fee, kickback or thing of value that represents compensation for the referral of business incident to or a part of a real estate settlement service is in violation of section 8 of RESPA. The fact that the payment of the thing of value does not result in an increase in the charge made for the settlement service by the payor in the particular transaction is irrelevant in determining whether the payment is prohibited.

(e) *Payment for goods or services actually rendered.* The payment and receipt of a thing of value that bears a reasonable relationship to the value of the goods or services received by the person or company making the payment is not prohibited by RESPA section 8. To the extent the thing of value is in excess of the reasonable value of the goods provided or services performed, the excess is not for services actually rendered and may be considered a kickback or referral fee proscribed by RESPA section 8. The value of the referral itself (i.e., the additional business obtained thereby) is not to be taken into account in determining whether the payment is reasonable.

(f) *Exemptions.* The following are not proscribed by RESPA section 8:

(1) The payment of a fee (a) to attorneys at law for services actually rendered, or (b) by a title company to its duly appointed agent for services actually performed in the issuance of a policy of title insurance, or (c) by a Lender to its duly appointed agent for services actually performed in the making of a loan.

(2) The payment to any person of a bona fide salary, compensation or other payment for goods or facilities actually furnished or for services actually performed.

(3) Payments pursuant to cooperative brokerage and referral arrangements or agreements between real estate agents and brokers.

(4) Normal promotional and educational activities not directly conditioned on the referral of business and that do not involve the defraying of expenses that otherwise would be incurred by persons in a position to refer settlement business, such as a reception by a title company, free seminars on title matters to professionals, furnishing property descriptions and names of record owners without charge to persons such as Lenders, real estate brokers or attorneys or distribution of calendars and other promotional material of nominal value.

(5) The waiver by a Lender of the requirement that a borrower pay a prepayment penalty provided in mortgage documents, whether or not such waiver is conditioned upon receipt by the Lender of a loan application from, or the making of a loan to, such borrower or a person purchasing a property from such borrower. This exemption is established pursuant to authority to establish exemptions from Section 8 of RESPA; and is not applicable by analogy to any category of cases other than waiver of prepayment penalties.

(g) *Examples of violations under section 8.* The following are examples of violations under section 8 and are applicable by analogy to other providers of settlement services in addition to those specified in the examples:

(1) A title company pays a portion of the title insurance premium to a person who performs no services for the title company other than placing an application with the title company.

(2) A title company gives a discount or allowance for the prompt payment of a title insurance premium or other charge for a settlement service to a real estate agent, attorney or lender as a rebate for the placement of business with such title company.

(3) An attorney gives a portion of his fees to another attorney, a Lender or a real estate agent who only referred a prospective client to the attorney.

(4) A title company pays a "commission" to a corporation that is wholly owned by one or more Lenders, even though such corporation performs no substantial services on behalf of the title company.

APPENDIX A—INSTRUCTIONS FOR COMPLETING UNIFORM SETTLEMENT STATEMENT (HUD-1)

The following are instructions for completing sections A through L of the Uniform Settlement Statement HUD-1, required under section 4 of RESPA and called Regulation X. This form is to be used as a uniform statement of actual costs and adjustments to be given to the parties in connection with the settlement. The instructions for completion of the form are primarily for the benefit of the persons who prepare the statements and need not be transmitted to the parties as an integral part of the form. Refer to Regulation X of the Department of Housing and Urban Development (24 CFR Part 3500) to determine if the Uniform Settlement Statement is legally required to be used in a particular mortgage loan transaction. There is no objection of the use of the form in transactions in which its use is not legally required.

GENERAL INSTRUCTIONS

Information and amounts may be filled in by typewriter, hand printing, computer printing, or any other method producing clear and legible results. Copies of the form sent to the borrower and the seller may be carbon copies or other clear legible copies. Refer to Regulation X regarding rules applicable to printing of the form. An additional page may be attached to HUD–1 for the purpose of including customary recitals and information used locally in real estate settlements, for example, a breakdown of payoff figures; a breakdown of mortgagor's total monthly mortgage payments; check disbursements; a statement indicating receipt of funds; applicable special stipulations between buyer and seller; and the date funds are transferred. The reverse side of the form may be used instead of an additional sheet.

Where charges are paid outside of the settlement (normally by separate check), but are included in the requirements of § 3500.8(b), they shall be stated with the notation "P.O.C." (Paid outside closing) and shall not be included in computing totals. In accordance with § 3500.8(b), charges not imposed upon the borrower or seller by the Lender and which borrower or seller contract to pay for separately outside of the settlement, need not be entered on HUD–1.

LINE ITEM INSTRUCTIONS

Instructions for completing the individual items on the form follow. Where no instructions are given, the item is thought to be self-explanatory.

Section A. The Lender, title company, other firm, or other person conducting settlement and preparing the form may insert its name and/or logotype in Section A.

Section B. Check appropriate loan type and complete the remaining items as applicable.

Sections D and E. Fill in the names and current mailing addresses and zip codes of the borrower and the seller. Where there is more than one buyer or seller, the name and address of one is sufficient.

Section G. The street address of the secured property, should be given. If there is no street address, a brief legal description or other location of the property should be inserted. In all cases give the zip code of the property.

Section H. Fill in name, address, and zip code of settlement agent; address and zip code of "place of settlement."

Section J. Summary of Borrower's Transaction. The borrower may be given a copy of the form which does not contain the information filled in under "Summary of Seller's Transaction" (Section K, Series 400, 500, and 600 items).

Lines 104 and 105 are for additional amounts owed by the buyer. For example, the balance in the seller's reserve account held by the Lender, if assigned to the buyer in a loan assumption case, will be entered here. These lines will also be used when a tenant in the property being sold has not yet paid his rent, which the buyer will collect, for a period of time prior to the settlement. The seller will be credited on lines 404–405.

Lines 106 through 112 are for items which the seller had paid in advance, and for which the buyer must therefore reimburse the seller. Examples of items for which adjustments will be made may include taxes and assessments paid in advance for an entire year or other period, when settlement occurs prior to the expiration of the year or other period for which they were paid. Additional examples include flood and hazard insurance premiums, if the buyer is being substituted as an insured under the same policy; mortgage insurance in loan assumption cases; planned unit development or condominium association assessments paid in advance; fuel or other supplies on hand, purchased by the seller, which the buyer will use when buyer takes possession of the property; and ground rent paid in advance.

Line 203 is used for cases in which the buyer is assuming or taking title subject to an existing loan or lien on the property.

Lines 204–209 may be used in cases in which the seller has taken a trade-in or other property from the buyer in part payment for the property being sold. They may also be used in cases in which a seller (typically a builder) is making an "allowance" to the buyer for carpets or drapes which the buyer is to purchase on his own. Such an allowance should also be entered on lines 506 to 509.

Lines 210 through 219 are for items which have not yet been paid, and which the buyer is expected to pay, but which are attributable in part to a period of time prior to the settlement. In jurisdictions in which taxes are paid late in the tax year, most cases will show the proration of taxes in these lines. Other examples include utilities used but not paid for by the seller, rent collected in advance by the seller from a tenant for a period extending beyond the settlement date, and interest on loan assumptions.

Line 303 may indicate either the cash required from the borrower at settlement (the usual case in a purchase transaction) or cash payable to the borrower at settlement (if, for example, the buyer's earnest money deposit exceeded his cash obligations in the transaction). The appropriate box should be checked.

Section K. Summary of Seller's Transaction. The seller may be given a copy of the form which does not contain the information filled in under "Summary of Borrower's Transaction" (Section J, Series 100, 200, and 300 items).

Instructions for the use of lines 106–112, above, apply also to lines 406 to 412.

Line 501. If the seller's real estate broker has received and holds an earnest money deposit which exceeds the commission owed to him, and if he will tender the excess deposit directly to the seller, rather than through the settlement agent, the amount of excess deposit should be entered on line 501.

Line 503 is used if the purchaser is assuming or taking title subject to existing liens which are to be deducted from sales price.

Line 506 through 509 may be used to list additional liens which must be paid off through the settlement to clear title to the property. They may also be used to indicate funds to be held by the settlement agent for the payment of water, fuel, or other utility bills which cannot be prorated between the parties at settlement because the amounts used by the seller prior to settlement are not yet known.

Instructions for the use of lines 510 through 519 are the same as those for lines 210 to 219 above.

Section L. Settlement Charges. For all items except those paid to and retained by the Lender, the name of the person or firm receiving the payment should be shown. The column which relates to the borrower's transaction may be deleted from the copy of the form which will be furnished to the seller and the column which relates to the seller's transaction may be deleted from the copy of the form which will be furnished to the borrower.

Line 700. If the sales commission paid by the seller is based on a percentage of the purchase price, enter the purchase price, the percentage, and the dollar amount of the total commission paid by the seller.

Lines 701-702 are to be used to state the split of the commission where the person conducting the settlement disburses portions of the commission to two or more agents.

Line 703. If the broker is retaining a part of the earnest money deposit to apply towards his commission, include in lines 703 only that part of the commission being disbursed at settlement.

Line 704 may be used for additional charges made by the sales agent, or for a sales commission charged to the buyer, which will be disbursed by the settlement agent.

Line 801. Enter the fee charged by the Lender for processing or originating the loan. If this fee is computed as a percentage of the loan amount, enter the percentage in the blank indicated.

Line 802. Enter the loan discount charged by the lender, and, if it is computed as a percentage of the loan amount, enter the percentage in the blank indicated.

Line 803. Enter appraisal fees, if there is a charge separate from the origination fee. The VA or FHA appraisal fee is included on line 806.

Line 805 is used only for inspections by the lender or his personnel. Charges for other pest or structural inspections, required by Regulation X to be stated, should be entered in lines 1301-1305.

Line 806 should be used for a VA appraisal fee, FHA application fee (which covers the cost of appraisal for the agency as well), or a fee required by a private mortgage insurance company.

Line 807 is provided for convenience in using the form for loan assumption transactions.

Line 901. If interest is collected at settlement for a part of a month or other period between settlement and the date from which interest will be collected with the first regular monthly payment, enter that amount here. If such interest is not collected until the first regular monthly payment, no entry should be made on line 901.

Lines 1000-1008. This series is used for amounts collected by the Lender from the borrower and held in an account for the future payment of the obligations listed as they fall due. In many jurisdictions this is referred to as an "escrow," "impound," or "trust" account. In addition to the items listed, some Lenders may require reserves for flood insurance, condominium owners association assessments, etc.

Lines 1100-1113. In many jurisdictions the same person (for example, an attorney or a title insurance company) performs several of the services listed in this series and makes a single undifferentiated charge for such services. In such cases, enter the overall fee on line 1107 (for attorneys), or line 1108 (for title companies), and enter on that line the item numbers of the services listed which are covered in the overall fee. If this is done, no amounts should be entered for the individual items which are covered by the overall fee.

Line 1101. Enter here the fee of the person or firm conducting the settlement. In some jurisdictions this is termed a closing or escrow fee. If two or more persons or firms make charges in connection with the same transaction, enter total charges in the appropriate columns, and indicate the breakdown of charges on the line after the word "to."

Lines 1102 and 1103. In some jurisdictions the same person (for example, an attorney) both searches the title (that is, performs the necessary research in the records) and examines title (that is, makes a determination as to what matters affect title, and provides a title report or opinion). If such a person charges only one fee for both services, it should be entered on line 1103. If separate persons perform these tasks, or if separate charges are made for searching and examination, they should be listed separately.

Line 1105. Enter charges for preparation of deeds, mortgages, notes, etc. If more than one person receives a fee for such work in the same transaction, show the total paid in the appropriate column and the individual charges on the line following the word "to."

Lines 1108-1110. Enter the total charge for title insurance (except for the cost of the title binder) on line 1108. Enter on lines 1109 and 1110 the individual charges for the Lender's and owner's policies. Note that these charges are not carried over into the borrower's and seller's columns, since to do so would result in a duplication of the amount in line 1108. If a combination Lender's/owner's policy is available show this amount as an additional entry on line 1109 and 1110.

Lines 1111-1113. These lines are for the entry of other title charges not already itemized. Examples in some jurisdictions would include a fee to a private tax service, a fee to a county tax collector for a tax certificate, and a fee to a public title registrar for a certificate of title under a Torrens Act. Show the Lender's attorney's fee if any on lines 1111-1113.

Lines 1303-1305. Enter on these lines any other settlement charges not referrable to the categories listed above on the form, which are required to be stated by Regulation X. Examples may include structural inspections or pre-sale inspection of heating, plumbing, or electrical equipment. These inspection charges may include a fee for insurance or warranty coverage.

Line 1400. Enter the total settlement charges paid from borrower's funds and seller's funds. These totals are also entered on lines 103 and 502, respectively, in sections J and K.

HUD-1 Rev. 5/76

Form Approved
OMB NO. 63-R-1501

A.

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SETTLEMENT STATEMENT

B. TYPE OF LOAN

1. ☐ FHA 2. ☐ FmHA 3. ☐ CONV. UNINS.
4. ☐ VA 5. ☐ CONV. INS.

6. File Number:

7. Loan Number:

8. Mortgage Insurance Case Number:

C. NOTE: *This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.*

D. NAME OF BORROWER:

E. NAME OF SELLER:

F. NAME OF LENDER:

G. PROPERTY LOCATION:

H. SETTLEMENT AGENT:

PLACE OF SETTLEMENT:

I. SETTLEMENT DATE:

J. SUMMARY OF BORROWER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:	
101. Contract sales price	
102. Personal property	
103. Settlement charges to borrower *(line 1400)*	
104.	
105.	
Adjustments for items paid by seller in advance	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109.	
110.	
111.	
112.	
120. GROSS AMOUNT DUE FROM BORROWER	
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:	
201. Deposit or earnest money	
202. Principal amount of new loan(s)	
203. Existing loan(s) taken subject to	
204.	
205.	
206.	
207.	
208.	
209.	
Adjustments for items unpaid by seller	
210. City/town taxes to	
211. County taxes to	
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
220. TOTAL PAID BY/FOR BORROWER	
300. CASH AT SETTLEMENT FROM/TO BORROWER	
301. Gross amount due from borrower *(line 120)*	
302. Less amounts paid by/for borrower *(line 220)*	( )
303. CASH (☐ FROM) (☐TO) BORROWER	

K. SUMMARY OF SELLER'S TRANSACTION	
400. GROSS AMOUNT DUE TO SELLER:	
401. Contract sales price	
402. Personal property	
403.	
404.	
405.	
Adjustments for items paid by seller in advance	
406. City/town taxes to	
407. County taxes to	
408. Assessments to	
409.	
410.	
411.	
412.	
420. GROSS AMOUNT DUE TO SELLER	
500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
501. Excess deposit *(see instructions)*	
502. Settlement charges to seller *(line 1400)*	
503. Existing loan(s) taken subject to	
504. Payoff of first mortgage loan	
505. Payoff of second mortgage loan	
506.	
507.	
508.	
509.	
Adjustments for items unpaid by seller	
510. City/town taxes to	
511. County taxes to	
512. Assessments to	
513.	
514.	
515.	
516.	
517.	
518.	
519.	
520. TOTAL REDUCTION AMOUNT DUE SELLER	
600. CASH AT SETTLEMENT TO/FROM SELLER	
601. Gross amount due to seller *(line 420)*	
602. Less reductions in amount due seller *(line 520)*	( )
603. CASH (☐ TO) (☐ FROM) SELLER	

L. SETTLEMENT CHARGES

	PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
700. TOTAL SALES/BROKER'S COMMISSION based on price $ @ % =		
Division of Commission (line 700) as follows:		
701. $ to		
702. $ to		
703. Commission paid at Settlement		
704.		
800. ITEMS PAYABLE IN CONNECTION WITH LOAN		
801. Loan Origination Fee %		
802. Loan Discount %		
803. Appraisal Fee to		
804. Credit Report to		
805. Lender's Inspection Fee		
806. Mortgage Insurance Application Fee to		
807. Assumption Fee		
808.		
809.		
810.		
811.		
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE		
901. Interest from to @ $ /day		
902. Mortgage Insurance Premium for months to		
903. Hazard Insurance Premium for years to		
904. years to		
905.		
1000. RESERVES DEPOSITED WITH LENDER		
1001. Hazard insurance months @ $ per month		▨
1002. Mortgage insurance months @ $ per month		▨
1003. City property taxes months @ $ per month		▨
1004. County property taxes months @ $ per month		▨
1005. Annual assessments months @ $ per month		▨
1006. months @ $ per month		▨
1007. months @ $ per month		▨
1008. months @ $ per month		▨
1100. TITLE CHARGES		
1101. Settlement or closing fee to		
1102. Abstract or title search to		
1103. Title examination to		
1104. Title insurance binder to		
1105. Document preparation to		
1106. Notary fees to		
1107. Attorney's fees to		
(includes above items numbers:	▨	▨
1108. Title insurance to		
(includes above items numbers:	▨	▨
1109. Lender's coverage $	▨	▨
1110. Owner's coverage $	▨	▨
1111.		
1112.		
1113.		
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES		
1201. Recording fees: Deed $; Mortgage $; Releases $		
1202. City/county tax/stamps: Deed $; Mortgage $		
1203. State tax/stamps: Deed $; Mortgage $		
1204.		
1205.		
1300. ADDITIONAL SETTLEMENT CHARGES		
1301. Survey to		
1302. Pest inspection to		
1303.		
1304.		
1305.		
1400. TOTAL SETTLEMENT CHARGES (enter on lines 103, Section J and 502, Section K)		

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Appendix B—Facts and Comments on Section 8 Which Provide Further Clarification of Regulations

The following illustrations provide additional guidance on the meaning and coverage of Section 8 of RESPA. While particular illustrations may refer to particular providers of settlement services, such illustrations are applicable by analogy to providers of settlement services other than those specifically mentioned. It should be noted that other provisions of Federal or state law may be applicable to the practices and payments discussed in the following illustrations.

1. *Facts*. A, a provider of settlement services, maintain and abnormally large balance in a non-interest bearing account with B, a mortgage lender, pursuant to an understanding that B will refer borrowers of Federally Related Mortgage Loans to A for the purchase of settlement sevices in connection with the settlement of such loans.

Comments. Allowing B to use the deposited funds at no interest appears to be a thing of value given by A to B pursuant to an agreement or understanding that business incident to a real estate settlement shall be referred to A in violation of Section 8 of RESPA. The maintenance of any accounts reasonably needed by A in the normal course of its business would not be a violation of Section 8.

2. *Facts*. B, a lender of Federally Related Mortgage Loans, pays A, a real estate agent, a fee of $25 per transaction purportedly for services performed such as arranging for B's appraiser to visit the property. The purported services for which the fee is paid are services that real estate agents frequently perform as part of their services and the fee is really intended to enable B to compensate A for referring potential borrowers to B.

Comments. Both A and B are in violation of Section 8 of RESPA, since the fee is being paid in compensation for the referral of business rather than for legitimate services actually rendered by B on behalf of A.

3. *Facts*. A, a provider of settlement services, provides settlement services at abnormally low rates or at no charge at all to B, a builder, in connection with a subdivision being developed by B. B agrees to refer purchasers of the completed homes in the subdivision to A for the purchase of settlement services in connection with the sale of individual lots by B.

Comments. The rendering of services by A to B at little or no charge constitutes a thing of value given by A to B in return for the referral of settlement business and both A and B are in violation of Section 8 of RESPA.

4. *Facts*. B, a Lender, encourages persons who receive Federally Related Mortgage Loans from it to employ A, an attorney, to search title and perform related settlement services in connection with their transaction. B and A have an understanding that in return for the referral of this business A will provide legal services to B or B's officers or employees at abnormally low rates or for no charge.

Comments. Both A and B are in violation of Section 8 of RESPA.

5. *Facts*. A, a provider of settlement services, pays referral fees to persons who refer settlement business on commercial real estate to A.

Comments. While commercial transactions are not covered by RESPA, the payment of such referral fees would be a violation of Section 8 if they involve indirect compensation for the referral of settlement business covered by RESPA.

6. *Facts*. A, a real estate broker, obtains all necessary licenses under state law to act as a title insurance agent. A refers individuals who are purchasing homes in transactions in which A participates as a broker to B, a title company, for the purchase of title insurance services. A fills out a simple form but performs no other services in connection with the issuance of the title insurance policy. B pays A a commission for the transaction.

Comments. The payment of a commission by B to A under circumstances where no substantial services are being provided by A to B is a violation of Section 8 of RESPA.

7. *Facts*. A, a "mortgage originator" or "mortgage broker", receives loan applications and refers borrowers to lenders for a fee.

Comments. If A performs services such as obtaining credit and appraisal information or preparing an application for mortgage insurance or guarantee which are of value to the Lender paying the fee, without reference to the referral value of such services, and the fees paid bear a reasonable relationship to the value of such services, the payment of such a fee would not be in violation of Section 8 of RESPA.

8. *Facts*. A, a title insurance company, provides among its other services an "Insured Closing Service Letter". Under this letter, for which no separate or additional charge is made, the company agrees to provide indemnity against loss due to certain fraudulent or negligent acts of the company's policy-issuing agents or approved attorneys in complying with closing instructions and in conducting the closing of any transaction in connection with which a policy of title insurance is to be issued by A.

Comments. Where A has provided such an Insured Closing Service Letter to a specified person and the protection afforded thereby is effective without regard to whether the particular case was referred to A by the person receiving protection under such letter, the provision of the letter would not be pursuant to an agreement or understanding that settlement services be referred, and therefore not in violation of Section 8.

9. *Facts*. A, a service corporation, is a title insurance agent for B, a title insurance company. The search and examination of title, in connection with applications for title insurance policies prepared by A, are performed by employees of B. Employees of B also make any determinations as to the insurability of title. A issues title insurance policies on behalf of B and receives a commission equal to the amount paid other title insurance agents in the community, including other agents of B, who perform the title search and examination as well as prepare and issue the title insurance policy.

Comments. While A may be performing some real service for B, the fact that the amount of the commission received by A is equal to the commissions customarily paid to full-service title insurance agents who perform substantially greater and more valuable services indicates that the commission paid by B to A is really intended to compensate A for the referral of business. The amount by which the commission exceeds the reasonable value of the services rendered by A to B would be a referral fee prohibited by Section 8 of RESPA. Section 8 does not prohibit variations in the amount of commissions that may be paid, nor does it require that the quantum of services rendered be identical in all cases, so long as services significant to the issuance of a title insurance policy are rendered and the amount of the commission bears a reasonable relationship to the services rendered.

10. *Facts*. A, a real estate broker, refers title business to B, a company that is a licensed title agent for C, a title insurance company. A is part owner of B. B performs the title search and examination, makes determinations of insurability and issues a policy of title insurance on behalf of C, for which C pays B a commission. B pays annual dividends to its owners, including A, based on the relative amount of business each of its owners refers to B.

Comments. While the payments of a commission by C to B is not a violation of Section 8 of RESPA, if the amount of the commission constitutes reasonable compensation for the services performed by B for C, the payment of a dividend or the giving of any other thing of value by B to A that is based on the amount of business referred to B by A constitutes a violation of Section 8. Similarly, if the amount of stock held by A in B (or, if B were a partnership, the distribution of partnership profits by B to A) varied in proportion to the amount of business referred or expected to be referred, or if B retained any funds for subsequent distribution to A where such funds were generally in proportion to the amount of business A referred to B, such arrangements would constitute violations of section 8.

Constance B. Newman,
Assistant Secretary for Consumer Affairs and Regulatory Functions, U.S. Department of Housing and Urban Development.

[FR Doc. 76-15864 Filed 6-1-76;9:59 am]

Title 24—Housing and Urban Development

CHAPTER XX—OFFICE OF ASSISTANT SECRETARY FOR CONSUMER AFFAIRS AND REGULATORY FUNCTIONS, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. R-76-394]

PART 3500—REAL ESTATE SETTLEMENT PROCEDURES ACT

Corrections

In Part III of the FEDERAL REGISTER for Friday, June 4, 1976, appearing on pages 22702–22712, the following corrections should be made:

§ 3500.6 [Amended]

1. Page 22705, § 3500.6(a) is corrected by inserting in the third sentence the word "Information" after the word "Special", and by inserting the word "but" after the word "received"; by inserting the words "them in" after the word "placing", and deleting the word "or" after the word "mail" in the fourth sentence; and by deleting in the last sentence the period after the word "Board" and adding the words "unless provided elsewhere."

§ 3500.7 [Amended]

2. Page 22705, § 3500.7(d)(1) delete the quotation mark after the word "items" and add a quotation mark after the phrase "amounts at settlement".

§ 3500.9 [Amended]

3. Page 22706, section 3500.9(a)(3) is corrected by inserting in the first sentence a period after the words "lines 100–1400" and inserting the phrase "However, blank lines or items listed in lines 100–1400" before the word "which".

4. Page 22706, Section 3500.9(a)(5) is corrected by inserting the word "of" after the word "form" in the last sentence.

5. On page 22709, the paragraph dealing with lines 1111–1113 is corrected by deleting the last sentence and adding the following, "Show the attorney's fees for legal representation on lines 1111–1113."

6. On page 22712, add the following phrase: "*Effective date:* June 30, 1976" before the signature block.

Effective June 8, 1976.

CONSTANCE B. NEWMAN,
Assistant Secretary for Consumer Affairs and Regulatory Functions.

[FR Doc.76-17093 Filed 6-10-76;8:45 am]

SETTLEMENT COSTS

A HUD Guide

U.S. Department of Housing and Urban Development
June 1976

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SETTLEMENT COSTS

INTRODUCTION

For many people, buying a home is the single most significant financial step of a lifetime. The Real Estate Settlement Procedures Act (RESPA), a Federal statute, helps to protect you at this step.

Settlement is the formal process by which ownership of real property passes from seller to buyer. It is the end of the home buying process, the time when title to the property is transferred from the seller to the buyer.

RESPA covers most residential mortgage loans used to finance the purchase of one to four family properties, such as a house, a condominium or cooperative apartment unit, a lot with a mobile home, or a lot on which you will build a house or place a mobile home using the proceeds of the loan.

RESPA was not designed to set the prices of settlement services. Instead, it provides you with information to take the mystery out of the settlement process, so that you can shop for settlement services and make informed decisions.

This information booklet was prepared as provided in RESPA by the Office of Consumer Affairs and Regulatory Functions of the U.S. Department of Housing and Urban Development.

Part One of this booklet describes the settlement process and nature of charges and suggests questions you might ask of lenders, attorneys and others to clarify what services they will provide you for the charges quoted. It also contains information on your rights and remedies available under RESPA, and alerts you to unfair or illegal practices.

Part Two of this booklet is an item-by-item explanation of settlement services and costs, with sample forms and worksheets that will help you in making cost comparisons. Remember that terminology varies by locality so that terminology used here may not exactly match that used in your area. For example, settlement is sometimes called closing and settlement charges are frequently referred to as closing costs.

PART I

WHAT HAPPENS AND WHEN

Suppose you have just found a home you would like to buy. In a typical situation, when you reach an agreement with the seller on the price, you then sign a sales contract. The terms of the sales contract can be negotiated to your benefit, as the booklet explains below.

Next you will probably seek a mortgage to finance the purchase. This booklet suggests questions you should raise as you shop for a lender.

When you file your application for a loan, the lender is required by RESPA to provide a good faith estimate of the costs of settlement services and a copy of this booklet. The lender has three business days, after written loan application, to mail these materials to you.

Between loan application time and settlement, you usually have a chance to shop for settlement services, to ensure that you will obtain good value for your money.

Finally, one business day before settlement, if you so request, the person conducting the settlement must allow you an opportunity to see a Uniform Settlement Statement that shows whatever figures are available at that time for settlement charges you will be required to pay. At settlement, the completed Uniform Settlement Statement will be given to you.

Note: In some parts of the country where there is no actual settlement meeting, or in cases where neither you nor your authorized agent attends the closing meeting, the person conducting settlement has the obligation to deliver the Uniform Settlement Statement to you by mail.

There is no standard settlement process followed in all localities; therefore, what you experience, involving many of the same services, will probably vary from the description in this booklet.

SHOPPING FOR SERVICES

When settlement arrives, you are committed to the purchase of the property and may have made a partial payment, sometimes called earnest money, to the seller or his agent. Services may have been performed for which you are obligated to pay. Unless a seller fails to perform a legally binding promise or has acted in a fraudulent fashion, you are normally obligated to complete your part of the contract and pay settlement costs. Thus the time to decide the terms of sale, raise questions, and establish fair fees is not at time of settlement, but earlier, when you negotiate with the seller and providers of settlement services. By the time of settlement, any changes in settlement costs and purchase terms may be difficult to negotiate.

You can also negotiate with the seller of the house about who pays various settlement fees and other charges. There are generally no fixed rules about which party pays which fees, although in many cases this is largely controlled by local custom.

Among the many factors that determine the amount you will pay for settlement costs are the location of your new home, the type of sales contract you negotiate, the arrangements made with the real estate broker, the lender you select, and your decisions in selecting the various firms that provide required settlement services.

If the chosen house is located in a "special flood hazard area," identified as such by HUD on a flood insurance map, the lender may require you to purchase flood insurance pursuant to Federal law (See page 23). Information on flood insurance availability, limits of coverage and copies of maps can be obtained through the National Flood Insurers Association servicing company for your State or by calling HUD toll free numbers 800-424-8872 or 73.

Role of the Broker

Although real estate brokers provide helpful advice on many aspects of home buying, and may in some areas supervise the settlement, they normally serve the interests of the seller, not the buyer. The broker's basic objective is to obtain a signed contract of sale which properly expresses the agreement of the parties, and to complete the sale. However, as state licensing laws require that the broker be fair in his dealings with all parties to the transaction, you should feel free to point this out to the broker if you feel you are being treated unfairly.

A broker may recommend that you deal with a particular lender, title company, attorney, or other provider of settlement services. Ask brokers why they recommend a particular company or firm in preference to others. Advise them that while you welcome their suggestions (and, indeed, they probably have good contacts), you reserve the right to pick your own providers of services.

Negotiating a Sales Contract

If you have obtained this booklet before you have signed a sales contract with the seller of the property, here are some important points to consider regarding that contract.

The sales agreement you and the seller sign can expressly state which settlement costs you will pay and which will be paid by the seller although some may be negotiable up to time of settlement. Buyers can and do negotiate with sellers as to which party is to pay for specific settlement costs. The success of such negotiations depends upon factors such as how eager the seller is to sell and you are to buy, the quality of the house itself, how long the house has been on the market, whether other potential buyers are interested, and how willing you are to negotiate for lower costs. If the contract is silent on these costs, they are still open to negotiation.

There is no standard sales contract which you are required to sign. You are entitled to make any modifications or additions in any standard form contract to which the seller will agree. You should consider including the following clauses:

- The seller provides title, free and clear of all liens and encumbrances except those which you specifically agree to in the contract or approve when the results of the title search are reported to you. You may negotiate as to who will pay for the title search service to determine whether the title is "clear."

. A refund of your deposit (earnest money) be made by the seller or escrow agent, and cancellation of the sale if you are unable to secure from a lending institution a first mortgage or deed-of-trust loan with an amount, interest rate, and length of term, as set forth in the contract, within a stated time period.

. A certificate be provided at time of settlement, stating that the house is free from termites or termite damage.

. A certificate that the plumbing, heating, electrical systems and appliances are in working order, and that the house is structurally sound. Negotiate who pays for any necessary inspections. There is no uniform custom in most areas. Many buyers prefer to pay for these inspections because they want to know that the inspector is conducting the service for them, not for the seller. (You can also purchase a warranty to back up the inspection, if you wish.)

· An agreement be reached on how taxes, water and sewer charges, premiums on existing transferable insurance policies, utility bills, interest on mortgages, and rent (if there are tenants) are to be divided between buyer and seller as of the date of the settlement.

Before you sign the sales contract, make sure that it correctly expresses your agreement with the seller on such important details as the sales price of the home, method of payment, the time set for your taking possession, what fixtures, appliances, and personal property are to be sold with the home, and the other items described above.

The above list is not complete, but does illustrate the importance of the sales agreement and its terms. Before you sign a sales contract you may want to ask an attorney to review the proposed agreement and determine if it protects your interests for once signed, the contract is binding on you and the seller. If you do not know of an attorney you may wish to consult the local bar association referral service or neighborhood legal service office.

Selecting an Attorney

If you seek the aid of an attorney, first ask what services will be performed for what fee. If the fee seems too high, shop for another lawyer. Does the attorney have substantial experience in real estate?

The U. S. Supreme Court has said that it is illegal for bar associations to fix minimum fee schedules for attorneys, so do not be bashful about discussing and shopping for legal fees you can afford. Your attorney will understand.

Questions you may wish to ask the attorney include: What is the charge for reading documents and giving advice concerning them? For being present at settlement? Will the attorney represent any other party in the transaction in addition to you? In some areas attorneys act as closing agents handling the mechanical aspects of the settlement. A lawyer who does this may not fully represent your interests since as closing agent, he would be representing the seller and other interests as well.

Selecting a Lender

Your choice of lender will influence not only your settlement costs, but also the monthly cost of your mortgage loan.

Lending institutions require certain settlement services, such as a new survey or title insurance, or they may charge you for other settlement-related services, such as the appraisal or credit report. You may find, in shopping for a lender, that other institutions may not have such requirements. Part Two of this booklet provides a descriptions of the various kinds of services that may be required and fees that may be charged to you. You will also find a worksheet in Part Two, which you can use to compare requirements and cost estimates from different lenders.

Many lending institutions deal regularly with certain title companies, attorneys, appraisers, surveyors, and others in whom they have confidence. They may want to arrange for settlement services to be provided through these parties. This booklet discusses your rights in such a situation under the section below on Homebuyer's Rights.

> If you choose a lending institution which allows you a choice of settlement service providers, you should shop and compare among the providers in your area, to find the best service for the best price. Where the lender designates the use of particular firms, check with other firms to see if the lender's stated charges are competitive.

Questions you may want to ask the lender should include these:

. Are you required to carry life or disability insurance? Must you obtain it from a particular company? (You may prefer no insurance or may wish to obtain it at a better premium rate elsewhere.)

. Is there a late payment charge? How much? How late may your payment be before the charge is imposed? You should be aware that late payments may harm your credit rating.

. If you wish to pay off the loan in advance of maturity (for example, if you move and sell the house), must you pay a prepayment penalty? How much? If so, for how long a period will it apply?

. Will the lender release you from personal liability if your loan is assumed by someone else when you sell your house?

. If you sell the house and the buyer assumes your loan, will the lender have the right to charge an assumption fee, raise the rate of interest, or require payment in full of the mortgage?

. If you have a financial emergency, will the terms of the loan include a future advances clause, permitting you to borrow additional money on the mortgage after you have paid off part of the original loan?

. Will you be required to pay monies into a special reserve (escrow or impound) account to cover taxes or insurance? If so, how large a deposit will be required at the closing of the sale? The amount of reserve deposits required is limited under RESPA. Some recent state laws have required that these accounts bear interest for the benefit of the borrower (buyer). If reserve requirements can be waived, you will be responsible for paying the particular charges for taxes or insurance directly to the tax collector or insurance company. Further information is in "Reserve Accounts" in Part Two of this booklet.

. In looking for the best mortgage to fit your particular financial needs, you may wish to check the terms and requirements of a private conventional loan versus a loan insured through the Federal Housing Administration or Farmers Home Administration or guaranteed by the Veterans Administration. The FHA, VA, and Farmers Home Administration loans involve Federal ceilings on permissible charges for some settlement services, which may be of interest to you. Ask lenders about these programs. Another source of information about the federally insured or guaranteed programs is from public documents some of which are listed in the bibliography of this booklet.

. If you are dealing with the lender who holds the existing mortgage, you might be able to take over the prior loan, in a transaction called "assumption". Assumption usually saves money in settlement costs if the interest rate on the prior loan is lower than that being asked in the market. In times of inflation in the housing market, a higher downpayment might be required than if you had obtained a new loan. You may want to ask the seller whether he would be willing to "take back" a second mortgage to finance part of the difference between the assumed loan and the sales price.

Selecting a Settlement Agent

Settlement practices vary from locality to locality, and even within the same county or city. In various areas settlements are conducted by lending institutions, title insurance companies, escrow companies, real estate brokers, and attorneys for the buyer or seller. By investigating and comparing practices and rates, you may find that the first suggested settlement agent may not be the least expensive. You might save money by taking the initiative in arranging for settlement and selecting the firm and location which meets your needs.

Securing Title Services

A title search may take the form of an abstract, a compilation of pertinent legal documents which provides a condensed history of the property ownership and related matters. In many areas title searches are performed by extracting information from the public record without assembling abstracts. In either situation, an expert examination is necessary to determine the status of title and this is normally made by attorneys or title company employees. In areas where both title insurance companies and attorneys perform these and other settlement services, compare fees for services (such as title certification, document preparation, notary fee, closing fee, etc.), provided by each to determine the better source for these services.

In many jurisdictions a few days or weeks prior to settlement the title insurance company will issue a binder (sometimes called a Commitment to Insure) or preliminary report, a summary of findings based on the search or abstract. It is usually sent to the lender for use until the title insurance policy is issued after the settlement. The binder lists all the defects in and liens against the title identified by the search. You should arrange to have a copy sent to you (or to an attorney who represents you) so that you can raise an objection if there are matters affecting the title which you did not agree to accept when you signed the contract of sale.

Title insurance is often required to protect the lender against loss if a flaw in title is not found by the title search made when the house is purchased. You may also get an owner's title policy to protect yourself. In some states, attorneys provide bar-related title insurance as part of their services in examining title and providing a title opinion. In these states the attorney's fee may include the title insurance premium, although the total title-related charges in the transaction should be taken into account in determining whether you will realize any savings.

Bear in mind that a title insurance policy issued only to the lender does not protect you. Similarly, the policy issued to a prior owner, such as the person from whom you are buying the house, does not protect you. To protect yourself from loss because of a mistake made by the title searcher, or because of a legal defect of a type which does not appear on the public records, you will need an owner's policy. Such a mistake rarely occurs but, when it does, it can be financially devastating to the uninsured. If you buy an owner's policy it is usually much less expensive if purchased simultaneously with a lender's policy.

To reduce title insurance costs, be sure to compare rates among various title insurance companies, and ask what services and limitations on coverage are provided by each policy so that you can decide whether a higher rate is consistent with your needs.

Depending upon practice in your jurisdiction, there may be no need for a full historical title search each time title to a home is transferred. If you are buying a home which has changed hands within the last several years, inquire at the title company that issued the previous title insurance policy about a "reissue rate," which would be a lower charge than for a new policy. If the title insurance policy of the previous owner is available, take it to the title insurer or lawyer whom you have selected to do your search.

To mark the boundaries of the property as set out in the title, lenders may require a survey. A homebuyer may be able to avoid the cost of a repetitive complete survey of the property if he can locate the surveyor who previously surveyed the project which he can update. However, the requirements of investors who buy loans originated by your lender may limit the lender's discretion to negotiate this point. Check with the lender or title company on this.

HOMEBUYER'S RIGHTS

Information Booklet

When you submit or the lender prepares your written application for a loan, the lender is legally required, under RESPA to give you a copy of this booklet.

If the lender does not give it to you in person on the day of your loan application, he must put it in the mail to you no later than three business days after your application is filed.

Good Faith Estimates

When you file your application for a loan, the lender must also, under the terms of RESPA, provide you with good faith estimates of settlement services charges you will likely incur. If he does not give it to you, he has three business days in which to put it in the mail.

See Part Two of this booklet for a full item-by-item discussion of settlement services. On the form entitled "Settlement Statement," you will find Section L, which lists possible settlement services and charges you will encounter.

The lender is required to give you his good faith estimate, based upon his experience in the locality in which the property is located, for each settlement charge in Section L that he anticipates you will pay, except for paid in advance hazard insurance premium (line 903) and reserves deposited with the lender (all Section 1000 items). The estimate may be stated as either a dollar amount or range for each charge. Where the lender designates the use of a particular firm, the lender must make its good faith estimate based upon the lender's knowledge of the amounts charged by the firm. The form used for this good faith estimate must be concise and clear, and the estimates must bear a reasonable relationship to the costs you will likely incur. If the lender provides you good faith estimates in the form of ranges, ask the lender what the total settlement costs will most likely be. While the lender is not obligated to provide this information under RESPA, it is important for you to know as you evaluate the different mortgage packages being offered you.

Lenders were not required to give good faith estimates for reserves deposited with them or for the prepaid hazard insurance premium because these charges require information not normally known to the lender at time of loan application. It is important for you to make these calculations because they can represent a sizeable cash payment you may have to make at settlement. Calculation of the reserve items is presented later in this booklet under "Reserve Accounts." Ask the lender what his policies are in terms of reserve accounts, for what items the lender requires reserves and for what period of time. You may want to ask the lender to run through a hypothetical calculation for you based upon the date you will most likely close on the house. Other assumptions may be necessary, for example, the assessed value of the property for determining property taxes. The lender can probably be more specific on hazard insurance premiums, particularly for those coverages which a lender requires.

Once you have obtained these estimates from the lender be aware that they are only estimates. The final costs may not be the same. Estimates are subject to changing market conditions, and fees may change. Changes in the date of settlement may result in changes in escrow and proration requirements. In certain cases, it may not be possible for the lender to anticipate exactly the pricing policies of settlements firms. Moreover, your own careful choice of settlement firms might result in lower costs, just as hasty decisions might result in higher costs. Remember that the lender's estimate is not a guarantee.

Lender Designation of Settlement Service Providers

Some lending institutions follow the practice of designating specific settlement service providers to be used for legal services, title examination services, title insurance, or the conduct of settlement.

Where this occurs the lender, under RESPA, is required to provide you as part of the good faith estimates a statement in which the lender sets forth:

(1) The name, address and telephone number of each provider he has designated. This must include a statement of the specific services each designated firm is to provide for you, as well as an estimate of the amount the lender anticipates you will have to pay for the service, based on the lender's experience as to what the designated provider usually charges. If the services or charges are not clear to you, ask further questions.

(2) Whether each designated firm has a business relationship with the lender.

While designated firms often provide the services needed, a conflict of interest may exist. Take for example the situation where the provider must choose between your interests and those of the lender. Where legal services are involved, it is wise to employ your own attorney to ensure that your interests are properly protected. It is wise for you to contact other firms to determine whether their costs are competitive and their services are comparable.

Disclosure of Settlement Costs One Day Before Closing and Delivery

One business day before settlement, you have the right to inspect the form, called the Uniform Settlement Statement, on which are itemized the services provided to you and fees charged to you.

This form (developed by the U.S. Department of Housing and Urban Development) is filled out by the person who will conduct the settlement meeting. Be sure you have the name, address, and telephone number of the settlement agent if you wish to inspect this form or if you have any questions.

The settlement agent may not have all costs available the day before closing, but is obligated to show you, upon request, what is available.

The Uniform Settlement Statement must be delivered or mailed to you (while another statement goes to the seller) at or before settlement. If, however, you waive your right to delivery of the completed statement at settlement, it will then be mailed at the earliest practicable date.

In parts of the country where the settlement agent does not require a meeting, or in cases where you or your agent do not attend the settlement, the statement will be mailed as soon as practicable after settlement and no advance inspection is required.

The Uniform Settlement Statement is not used in situations where: (1) there are no settlement fees charged to the buyer (because the seller has assumed all settlement-related expenses), or (2) the total amount the borrower is required to pay for all charges imposed at settlement is determined by a fixed amount and the borrower is informed of this fixed amount at the time of loan application. In the latter case, the lender is required to provide the borrower, within three business days of application, an itemized list of services rendered.

Escrow Closing

Settlement practices differ from state to state. In some parts of the country, settlement may be conducted by an escrow agent, which may be a lender, real estate agent, title company representative, attorney, or an escrow company. After entering into a contract of sale, the parties sign an escrow agreement which requires them to deposit specified documents and funds with the agent. Unlike other types of closing, the parties do not meet around a table to sign and exchange documents. The agent may request a title report and policy; draft a deed or other documents; obtain rent statements; pay off existing loans; adjust taxes, rents, and insurance between the buyer and seller; compute interest on loans; and acquire hazard insurance. All this may be authorized in the escrow agreement. If all the papers and monies are deposited with the agent within the agreed time, the escrow is "closed".

The escrow agent then records the appropriate documents and gives each party the documents and money each is entitled to receive, including the completed Uniform Settlement Statement. If one party has failed to fulfill his agreement, the escrow is not closed and legal complications may follow.

Truth-in-Lending

The lender is required to provide you a Truth-in-Lending statement by the time of loan consummation which disclosed the annual percentage rate or effective interest rate which you will pay on your mortgage loan. This rate may be higher than the contract interest rate because the latter includes only interest, while the annual percentage rate includes discount points, fees, and financing charges and certain other charges besides on the loan. The Truth-in-Lending statement will also disclose any additional charges for prepayment should you pay off the remaining balance of the mortgage before it is due.

Lenders are not required to provide you a Truth-in-Lending disclosure at the time of loan application, when the good faith estimate of settlement costs and this informational booklet are given to you. However, since the annual percentage rate the lender will be charging you is an important item of information which you can use as you shop for services, you may want to request its disclosure at time of loan application.

Protection Against Unfair Practices

A principal finding of Congress in the Real Estate Settlement Procedures Act of 1974 is that consumers need protection from "...unnecessarily high settlement charges caused by certain abusive practices that have developed in some areas of the country." The potential problems discussed below may not be applicable to most loan settlements, and the discussion is not intended to deter you from buying a home. Most professionals in the settlement business will give you good service. Nevertheless, you may save yourself money and worry by keeping the following considerations in mind:

Kickbacks. Kickbacks and referrals of business for gain are often tied together. The law prohibits anyone from giving or taking a fee, kickback, or anything of value under an agreement that business will be referred to a specific person or organization. It is also illegal to charge or accept a fee or part of a fee where no service has actually been performed. This requirment does not prevent agents for lenders and title companies, attorneys, or others actually performing a service in connection with the mortgage loan or settlement transaction, from receiving compensation for their work. It also does not prohibit payments pursuant to cooperative brokerage, such as a multiple listing service, and referral arrangements or agreements between real estate agents and brokers.

The prohibition is aimed primarily at eliminating the kind of arrangement in which one party agrees to return part of his fee in order to obtain business from the referring party. The danger is that some settlement fees can be inflated to cover payments to this additional party, resulting in a higher total cost to you. There are criminal penalties of both fine and imprisonment for any violation of these provisions of law. There are also provisions for you to recover three times the amount of the kickback, rebate, or referral fee involved, through a private lawsuit. In any successful action to enforce your right, the court may award you court costs together with a fee for your attorney.

Title Companies. Under the law, the seller may not require, as a condition of sale, that title insurance be purchased by the buyer from any particular title company. A violation of this will make the seller liable to you in an amount equal to three times all charges made for the title insurance.

Fair Credit Reporting. There are credit reporting agencies around the nation which are in the business of compiling credit reports on citizens, covering data such as how you pay your bills, if you have been sued, arrested, filed for bankruptcy, etc.. In addition, this file may include your neighbors' and friends' views of your character, general reputation, or manner of living. This latter information is referred to as an "investigative consumer report."

The Fair Credit Reporting Act does not give you the right to inspect or physically handle your actual report at the credit reporting agency, nor to receive an exact copy of the report. But you are entitled to a summary of the report, showing the nature, substance, and sources of the information it contains.

If the terms of your financing have been adversely affected by a credit report, you have the right to inspect the summary of that report free of charge (there may otherwise be a small fee). The accuracy of the report can also be challenged, and corrections required to be made. For more detailed information on your credit report rights, contact the Federal Trade Commission (FTC) in Washington, D. C. or the nearest FTC regional office. The FTC Buyer's Guide No. 7: Fair Credit Reporting Act is a good summary of this Act.

Equal Credit Opportunity. The Equal Credit Opportunity Act prohibits lenders from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract), because all or part of the applicant's income derives from any public assistance program, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. If you feel you have been discriminated against by any lender, you may have a private right of legal action against that lender and you may wish to consult an attorney; or you may wish to consult the Federal agency that administers compliance with this law concerning the lender you suspect has violated your rights thereunder. Inquire of the lender regarding the identity of that agency. You may also contact your regional Federal Reserve Bank about your rights under this Act.

The Right to File Complaints

As with any consumer problems, the place to start if you have a complaint is back at the source of the problem (the lender, settlement agent, broker, etc.). If that initial effort brings no satisfaction and you think you have suffered damages through violations of the Real Estate Settlement Procedures Act of 1974, as amended, you may be entitled to bring a civil action in the U.S. District Court for the District in which the property involved is located, or in any other court of competent jurisdiction. This is a matter best determined by your lawyer. Any suit you file under RESPA must be brought within one year from the date of the occurrence of the alleged violation. You may have legal remedies under other State or Federal laws in addition to RESPA.

You should note that RESPA provides for specific legal sanctions only under the provisions which prohibit kickbacks and unearned fees, and which prohibit the seller from requiring the buyer to use a particular title insurer. If you feel you should recover damages for violations of any provision of RESPA, you should consult your lawyer.

Most settlement service providers, particularly lenders, are supervised by some governmental agency at the local, State and/or Federal level. Others are subject to the control of self-policing associations. If you feel a provider of settlement services has violated RESPA, you can address your complaint to the agency or association which has supervisory responsibility over that provider. For the names of such agencies or associations you will have to check with local and State governments or consumer agencies operating in your area. You are also encouraged to forward a copy of complaints regarding RESPA violations to the HUD Office of Consumer Affairs and Regulatory Functions, which has the primary responsibility for administering the RESPA program. Your complaints can lay the foundation for future legislative or administrative action.

Send copies of complaints, and inquiries, to:

Assistant Secretary for Consumer Affairs and
  Regulatory Functions
Attention: RESPA Office
U.S. Department of Housing and Urban Development
451 7th Street, S.W.
Room 4100
Washington, D.C. 20410

THE HOMEBUYER'S OBLIGATIONS (REPAYMENT OF LOAN AND MAINTENANCE OF HOME)

At settlement you will sign papers legally obligating you to pay the mortgage loan financing the purchase of your home. You must pay according to the terms of the loan - interest rate, amount and due date of each monthly payment, repayment period - specified in the documents signed by you. You will probably sign at settlement a note or bond which is your promise to repay the loan for the unpaid balance of the purchase price. You will also sign a mortgage or deed of trust which pledges your home as security for repayment of the loan.

Failure to make monthly mortgage payments on time may lead to a late payment charge, if provided for in the documents. If you default on the loan by missing payments altogether and do not make them up within a period of time usually set by State law, the documents also specify certain actions which the lender may take to recover the amount owed. Ultimately, after required notice to you, a default could lead to foreclosure and sale of the home which secures your loan.

You should also be careful to maintain your home in a proper state of repair, both for your own satisfaction and comfort as the occupant and because the home is security for your loan. The mortgage or deed of trust may in fact specifically obligate you to keep the property in good repair and not allow deterioration.

Read the documents carefully at or before settlement, and be aware of your obligations as a homeowner.

PART TWO

This part of the booklet provides an item-by-item discussion of possible settlement services that may be required and for which you may be charged. It also provides a sample of the Uniform Settlement Statement form, and worksheets which you may find handy for comparing costs from different service providers.

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Form Approved
OMB NO. 63-R-1501

A. U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT SETTLEMENT STATEMENT	B. TYPE OF LOAN 1. ☐ FHA 2. ☐ FmHA 3. ☐ CONV. UNINS. 4. ☐ VA 5. ☐ CONV. INS. 6. File Number: 7. Loan Number: 8. Mortgage Insurance Case Number:

C. NOTE: *This form is furnished to give you a statement of actual settlement costs. Amounts paid to and by the settlement agent are shown. Items marked "(p.o.c.)" were paid outside the closing; they are shown here for informational purposes and are not included in the totals.*

D. NAME OF BORROWER:	E. NAME OF SELLER:	F. NAME OF LENDER:
G. PROPERTY LOCATION:	H. SETTLEMENT AGENT: PLACE OF SETTLEMENT:	I. SETTLEMENT DATE:

J. SUMMARY OF BORROWER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:	
101. Contract sales price	
102. Personal property	
103. Settlement charges to borrower *(line 1400)*	
104.	
105.	
Adjustments for items paid by seller in advance	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109.	
110.	
111.	
112.	
120. *GROSS AMOUNT DUE FROM BORROWER*	
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:	
201. Deposit or earnest money	
202. Principal amount of new loan(s)	
203. Existing loan(s) taken subject to	
204.	
205.	
206.	
207.	
208.	
209.	
Adjustments for items unpaid by seller	
210. City/town taxes to	
211. County taxes to	
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
220. *TOTAL PAID BY/FOR BORROWER*	
300. CASH AT SETTLEMENT FROM/TO BORROWER	
301. Gross amount due from borrower *(line 120)*	
302. Less amounts paid by/for borrower *(line 220)*	( )
303. *CASH (☐ FROM) (☐ TO) BORROWER*	

K. SUMMARY OF SELLER'S TRANSACTION	
400. GROSS AMOUNT DUE TO SELLER:	
401. Contract sales price	
402. Personal property	
403.	
404.	
405.	
Adjustments for items paid by seller in advance	
406. City/town taxes to	
407. County taxes to	
408. Assessments to	
409.	
410.	
411.	
412.	
420. *GROSS AMOUNT DUE TO SELLER*	
500. REDUCTIONS IN AMOUNT DUE TO SELLER:	
501. Excess deposit *(see instructions)*	
502. Settlement charges to seller *(line 1400)*	
503. Existing loan(s) taken subject to	
504. Payoff of first mortgage loan	
505. Payoff of second mortgage loan	
506.	
507.	
508.	
509.	
Adjustments for items unpaid by seller	
510. City/town taxes to	
511. County taxes to	
512. Assessments to	
513.	
514.	
515.	
516.	
517.	
518.	
519.	
520. *TOTAL REDUCTION AMOUNT DUE SELLER*	
600. CASH AT SETTLEMENT TO/FROM SELLER	
601. Gross amount due to seller *(line 420)*	
602. Less reductions in amount due seller *(line 520)*	( )
603. *CASH (☐ TO) (☐ FROM) SELLER*	

L. SETTLEMENT CHARGES

700. *TOTAL SALES/BROKER'S COMMISSION based on price $ @ % =*	PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
Division of Commission (line 700) as follows:		
701. $ to		
702. $ to		
703. Commission paid at Settlement		
704.		
800. ITEMS PAYABLE IN CONNECTION WITH LOAN		
801. Loan Origination Fee %		
802. Loan Discount %		
803. Appraisal Fee to		
804. Credit Report to		
805. Lender's Inspection Fee		
806. Mortgage Insurance Application Fee to		
807. Assumption Fee		
808.		
809.		
810.		
811.		
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE		
901. Interest from to @ $ /day		
902. Mortgage Insurance Premium for months to		
903. Hazard Insurance Premium for years to		
904. years to		
905.		
1000. RESERVES DEPOSITED WITH LENDER		
1001. Hazard insurance months @ $ per month		▨
1002. Mortgage insurance months @ $ per month		▨
1003. City property taxes months @ $ per month		▨
1004. County property taxes months @ $ per month		▨
1005. Annual assessments months @ $ per month		▨
1006. months @ $ per month		▨
1007. months @ $ per month		▨
1008. months @ $ per month		▨
1100. TITLE CHARGES		
1101. Settlement or closing fee to		
1102. Abstract or title search to		
1103. Title examination to		
1104. Title insurance binder to		
1105. Document preparation to		
1106. Notary fees to		
1107. Attorney's fees to		
(includes above items numbers;)	▨	▨
1108. Title insurance to		
(includes above items numbers:)	▨	▨
1109. Lender's coverage $	▨	▨
1110. Owner's coverage $	▨	▨
1111.		
1112.		
1113.		
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES		
1201. Recording fees: Deed $; Mortgage $; Releases $		
1202. City/county tax/stamps: Deed $; Mortgage $		
1203. State tax/stamps: Deed $; Mortgage $		
1204.		
1205.		
1300. ADDITIONAL SETTLEMENT CHARGES		
1301. Survey to		
1302. Pest inspection to		
1303.		
1304.		
1305.		
1400. TOTAL SETTLEMENT CHARGES (enter on lines 103, Section J and 502, Section K)		

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SETTLEMENT COSTS WORK SHEET *(Use this worksheet to compare the charges of various lenders and providers of settlement services.*	*PROVIDER 1*	*PROVIDER 2*	*PROVIDER 3*
800. ITEMS PAYABLE IN CONNECTION WITH LOAN:			
801. Loan Origination Fee %			
802. Loan Discount %			
803. Appraisal Fee *to*			
804. Credit Report *to*			
805. Lender's Inspection Fee			
806. Mortgage Insurance Application Fee *to*			
807. Assumption Fee			
808.			
809.			
810.			
811.			
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE:			
901. Interest from to @ $ per day			
902. Mortgage Insurance Premium for months to			
903. Hazard Insurance Premium for years to			
904. years to			
905.			
1000. RESERVES DEPOSITED WITH LENDER:			
1001. Hazard Insurance months @ $ per month			
1002. Mortgage Insurance months @ $ per month			
1003. City property taxes months @ $ per month			
1004. County property taxes months @ $ per month			
1005. Annual assessments months @ $ per month			
1006. months @ $ per month			
1007. months @ $ per month			
1008. months @ $ per month			
1100. TITLE CHARGES:			
1101. Settlement or closing fee to			
1102. Abstract or title search to			
1103. Title examination to			
1104. Title insurance binder to			
1105. Document preparation to			
1106. Notary fees to			
1107. Attorney's fees to			
(includes above items numbers;)			
1108. Title insurance to			
(includes above items numbers;)			
1109. Lender's coverage $			
1110. Owner's coverage $			
1111.			
1112.			
1113.			
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES:			
1201. Recording fees: Deed $; Mortgage $; Releases $			
1202. City/county tax/stamps: Deed $; Mortgage $			
1203. State tax/stamps: Deed $; Mortgage $			
1204.			
1205.			
1300. ADDITIONAL SETTLEMENT CHARGES:			
1301. Survey to			
1302. Pest inspection to			
1303.			
1304.			
1305.			
1400. TOTAL SETTLEMENT CHARGES.			

Sections A through I of the Uniform Settlement Statement contain information concerning the loan and parties to the settlement. Sections J and K contain a summary of all funds transferred between the buyer, seller, lender, and providers of settlement services. The bottom line in the left-hand column shows the net cash to be paid by the borrower, while the bottom line in the right-hand column shows the cash due the seller.

Section L is a list of settlement services that may be required and for which you may be charged. Blank lines are provided for any additional settlement services.

You would add up the costs entered on the lines of Section L, and carry them forward to Sections J and K, in order to arrive at the net cash figures on the bottom lines of the left and right columns.

Uses of This Form

(1) Settlement services comparisons. As you shop for settlement services, you can use the Settlement Costs Worksheet as a handy guide, noting on it the different services required by different lenders and the different fees quoted by different service providers.

(2) Disclosure of actual settlement costs. A copy of this form, or one with similar terminology, sequence and numbering of line items, must be filled out by the person conducting the settlement meeting. Your right to inspect the form one business day before settlement was discussed earlier in this booklet. The form will be completely filled in at the settlement meeting.

SPECIFIC SETTLEMENT SERVICES

The following defines and discusses each specific settlement service. The numbers correspond to the items listed in Section L of the Uniform Settlement Statement form.

700. SALES/BROKER'S COMMISSION

This is the total dollar amount of sales commission, usually paid by the seller. Fees are usually a percentage of the selling price of the house, and are intended to compensate brokers or salesmen for their services. Custom and/or the negotiated agreement between the seller and the broker determine the amount of the commission.

701-702.	Division of Commission	If several brokers or salesmen work together to sell the house, the commission may be split among them. If they are paid from funds collected for settlement, this is shown on lines 701-702.
703.	Commission Paid at Settlement	Sometimes the broker will retain the earnest money deposit to apply towards his commission. In this case, line 703 will show only the remainder of the commission which will be paid at settlement.
800.	ITEMS PAYABLE IN CONNECTION WITH LOAN	These are the fees which lenders charge to process, approve and make the mortgage loan.
801.	Loan Origination	This fee covers the lender's administrative costs in processing the loan. Often expressed as a percentage of the loan, the fee will vary among lenders and from locality to locality. Generally the buyer pays the fee unless another arrangement has been made with the seller and written into the sales contract.
802.	Loan Discount	Often called "points," a loan discount is a one-time charge used to adjust the yield on the loan to what market conditions demand. It is used to offset constraints placed on the yield by state or federal regulations. Each "point" is equal to

one percent of the mortgage amount. For example, if a lender charges four points on a $30,000 loan this amounts to a charge of $1,200.

803. Appraisal Fee

This charge, which may vary significantly from transaction to transaction, pays for a statement of property value for the lender, made by an independent appraiser or by a member of the lender's staff. The lender needs to know if the value of the property is sufficient to secure the loan if you fail to repay the loan according to the provision of your mortgage contract, and the lender must foreclose and take title to the house. The appraiser inspects the house and the neighborhood, and considers sales prices of comparable houses and other factors in determining the value. The appraisal report may contain photos and other information of value to you. It will provide the factual data upon which the appraiser based the appraised value. Ask the lender for a copy of the appraisal report or review the original.

The appraisal fee may be paid by either the buyer or the seller, as agreed in the sales contract. In some cases this fee is included in the Mortgage Insurance Application Fee. See line 806.

804. Credit Report Fee

This fee covers the cost of the credit report, which shows how you have handled other credit transactions. The lender uses this report in conjunction with information you submitted with the application regarding your income, outstanding bills, and employment, to determine whether you are an acceptable credit risk and to help determine how much money to lend you.

Where you encounter credit reporting problems you have protections under the Fair Credit laws as summarized under "Homebuyer's Rights" in this booklet.

805. Lender's Inspection Fee

This charge covers inspections, often of newly constructed housing, made by personnel of the lending institution or an outside inspector. (Pest or other inspections made by companies other than the lender are discussed in connection with line 1302).

806. Mortgage Insurance Application Fee

This fee covers processing the application for private mortgage insurance which may be required on certain loans. It may cover both the appraisal and application fee.

807. Assumption Fee

This fee is charged for processing papers for cases in which the buyer takes over payments on the prior loan of the seller.

900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE

You may be required to prepay certain items, such as interest, mortgage insurance premium and hazard insurance premium, at the time of settlement.

901. Interest

Lenders usually require that borrowers pay at settlement the interest that accrues on the mortgage from the date of settlement to the beginning of the period covered by the first monthly payment. For example, suppose your settlement takes place on April 16, and your first regular monthly payment will be due June 1, to cover interest charges for the month of May. On the settlement date, the lender will collect interest for the period from April 16 to May 1. If you borrowed $30,000 at 9% interest, the interest item would be $112.50. This amount will be entered on line 901.

902. Mortgage Insurance Premium

Mortgage insurance protects the lender from loss due to payment default by the home owner. The lender may require you to pay your first premium in advance, on the day of settlement. The premium may cover a specific number of months or a year in advance. With this insurance protection, the lender is willing to make a larger loan, thus reducing your downpayment requirements. This type of insurance should not be confused with mortgage life, credit life, or disability insurance designed to pay off a mortgage in the event of physical disability or death of the borrower.

903. Hazard Insurance Premium

This premium prepayment is for insurance protection for you and the lender against loss due to fire, windstorm, and natural hazards. This coverage may be included in a Homeowners Policy which insures against additional risks which may include personal liability and theft. Lenders often require payment of the first year's premium at settlement.

A hazard insurance or homeowner's policy may not protect you against loss caused by flooding. In special flood-prone areas identified by HUD, you may be required by federal law to carry flood insurance on your home. Such insurance may be purchased at low federally subsidized rates in participating communities under the National Flood Insurance Act.

1000. RESERVES DEPOSITED WITH LENDERS

Reserves (sometimes called "escrow" or "impound" accounts) are funds held in an account by the lender to assure future payment for such recurring items as real estate taxes and hazard insurance.

You will probably have to pay an initial amount for each of these items to start the reserve account at the time of settlement. A portion of your regular monthly payments will be added to the reserve account. RESPA places limitations on the amount of reserve funds which may be required by the lender. Read "Reserve Accounts" in this booklet for reserve calculation procedures. Do not hesitate to ask the lender to explain any variance between your own calculations and the figure presented to you.

1001. Hazard Insurance

The lender determines the amount of money that must be placed in the reserve in order to pay the next insurance premium when due.

1002. Mortgage Insurance

The lender may require that part of the total annual premium be placed in the reserve account at settlement. The portion to be received in reserve may be negotiable.

1003-1004. City/County Property Taxes

The lender may require a regular monthly payment to the reserve account for property taxes.

1005. Annual Assessments	This reserve item covers assessments that may be imposed by subdivisions or municipalities for special improvements (such as sidewalks, sewers or paving) or fees (such as homeowners association fees).
1100. TITLE CHARGES	Title charges may cover a variety of services performed by the lender or others for handling and supervising the settlement transaction and services related thereto. The specific charges discussed in connection with lines 1101 through 1109 are those most frequently incurred at settlement. Due to the great diversity in practice from area to area, your particular settlement may not include all these items or may include others not listed. Ask your settlement agent to explain how these fees relate to services performed on your behalf. An extended discussion is presented in "Securing Title Services" earlier in this booklet.
1101. Settlement or Closing Fee	This fee is paid to the settlement agent. Responsibility for payment of this fee should be negotiated between the seller and buyer, at the time the sales contract is signed.
1102-1104. Abstract or Title Search, Title Examination, Title Insurance Binder	These charges cover the costs of the search and examination of records of previous ownership, transfers, etc., to determine whether the seller can convey clear title to the property, and to disclose any matters on record that could adversely affect the

buyer or the lender. Examples of title problems are unpaid mortgages, judgment or tax liens, conveyances of mineral rights, leases, and power line easements or road right-of-ways that could limit use and enjoyment of the real estate. In some areas, a title insurance binder is called a commitment to insure.

1105. Document Preparation

There may be a separate document fee that covers preparation of final legal papers, such as a mortgage, deed of trust, note, or deed. You should check to see that these services, if charged for, are not also covered under some other service fees, ask the settlement agent.

1106. Notary Fee

This fee is charged for the cost of having a licensed person affix his or her name and seal to various documents authenticating the execution of these documents by the parties.

1107. Attorney's Fees

You may be required to pay for legal services provided to the lender in connection with the settlement, such as examination of the title binder or sales contract. Occasionally this fee can be shared with the seller, if so stipulated in the sales contract. If a lawyer's involvement is required by the lender, the fee will appear on this part of the form. The buyer and seller may each retain an attorney to check the various documents and to represent them at all stages of the transaction including settlement. Where this service is not required and is paid for outside of closing, the person conducting settlement is not obligated to record the fee on the settlement form.

1108. Title Insurance

The total cost of owner's and lender's title insurance is shown here. The borrower may pay all, a part or none of this cost depending on the terms of the sales contract or local custom.

1109. Lender's Title Insurance

A one-time premium may be charged at settlement for a lender's title policy which protects the lender against loss due to problems or defects in connection with the title. The insurance is usually written for the amount of the mortgage loan and covers losses due to defects or problems not identified by title search and examination. In most areas this is customarily paid by the borrower unless the seller agrees in the sales contract to pay part or all of it.

1110. Owner's Title Insurance

This charge is for owner's title insurance protection and protects you against losses due to title defects. In some areas it is customary for the seller to provide the buyer with an owner's policy and for the seller to pay for this policy. In other areas, if the buyer desires an owner's policy he must pay for it.

1200. GOVERNMENT RECORDING AND TRANSFER CHARGES

These fees may be paid either by borrower or seller, depending upon your contract when you buy the house or accept the loan commitment. The borrower usually pays the fees for legally recording the new deed and mortgage (item 1201). These fees, collected when property changes hands or when a mortgage loan is made, may be quite large and are set by state and/or local governments. City, county and/or state tax stamps may have to be purchased as well (item 1201 and 1203).

1300. ADDITIONAL SETTLEMENT CHARGES

1301. Survey

The lender or the title insurance company may require that a surveyor conduct a property survey to determine the exact location of the house and the lot line, as well as easements and rights of way. This is a protection to the buyer as well. Usually the buyer pays the surveyor's fees, but sometimes this may be handled by the seller.

1302. Pest and Other Inspections

This fee is to cover inspections for termite or other pest infestation of the house. This may be important if the sales contract included a promise by the seller to transfer the property free from pests or pest-caused damage. Be sure that the inspection shows that the property complies with the sales contract before you complete the settlement. If it does not you may wish to require a bond or other financial assurance that the work will be completed. This fee can be paid either by the borrower or seller depending upon the terms of the sales contract. Lenders vary in their requirements as to such an inspection.

Fees for other inspections, such as for structural soundness, are entered on line 1303.

1400. TOTAL SETTLEMENT CHARGES

All the fees in the borrower's column entitled "Paid from Borrower's Funds at Settlement" are totaled here and transferred to line 103 of Section J, "Settlement charges to borrower" in the Summary of Borrower's Transaction on page 1 of the Uniform Settlement Statement. All the settlement fees paid by the seller are transferred to line 502 of Section K, Summary of Seller's Transaction on page 1 of the Uniform Settlement Statement.

COMPARING LENDER COSTS

If a lender is willing to reduce his fees for such items as loan origination, discount points and other one-time settlement charges, he may gain it back if he charges a higher mortgage interest rate.

Here is one rule of thumb which you can use to calculate the combined effect of the interest rate on your loan and the one-time settlement charges (paid by you) such as "points." While not perfectly accurate, it is usually close enough for meaningful comparisons between lenders. The rule is, that one-time settlement charges equaling one percent of the loan amount increase the interest charge by one-eighth(1/8) of one percent. The 1/8 factor corresponds to pay a back period of approximately 15 years. If you intend instead to hold the property for only five years and pay off the loan at that time, the factor increases to 1/4.

Here is an example of the rule. Consider only those charges that differ between lenders. Suppose you wish to borrow $30,000. Lender A will make the loan at 8.5 percent interest, but charges a two percent origination fee, a $150.00 application fee, and requires that you use a lawyer, for title work, selected by the lender at a fee of $300.

Lender B will make the loan at 9 percent interest, but has no additional requirements or charges. As part of that nine percent interest, though, Lender B will not charge an application fee and will absorb the lawyer's fee. What are the actual charges for each case?

Begin by relating all of Lender A's one-time charges to percentages of the $30,000 loan amount:

2 percent origination fee = 2 percent of loan amount
$150 application fee = 0.5 percent of loan amount
$300 lawyer's fee = 1 percent of loan amount
Total = 3.5 percent of loan amount

Since each 1 percent of the loan amount in charges is the equivalent of 1/8 percent increase in interest, the effective interest rate from Lender A is the quoted or "contract" interest rate, 8.5 percent plus .44 percent (3.5 times 1/8), or a total of 8.94 percent interest. Since Lender B has offered a nine percent interest rate, Lender A has made a more attractive offer. Of course, it is more attractive only if you have sufficient cash to pay Lender A's one-time charges and still cover your downpayment, moving expenses, and other settlement costs. This is simply a method to compare diverse costs on an equal basis. In the above illustration, Lender A does not receive the $300 lawyer fee.

The calculation is sensitive to your assumption about the period of time you plan to own the house before paying off the mortgage. As indicated above, the factor increases to 1/4 if you expect to pay off the mortgage in five years. Applying this new factor to the above illustration, the effective interest rate for Lender A would be 8,5 percent plus .87 (3.5 x 1/4) for a total of 9.37 percent interest. Lender A's offer is no longer more attractive than Lender B's which was 9.0 percent.

In doing these calculations you should also be careful as to which one time fees you place into the calculation. For example, if Lender B in the above illustration did not include in his charge a legal fee but told you that you had to secure legal services in order to obtain the loan from him, you would have to add to Lender B's interest rate the legal fee that you had to incur.

You can use this method to compare the effective interest rates of any number of lenders as you shop for a loan. If the lenders have provided Truth-in-Lending disclosures, these are even a better comparative tool. You should question lenders carefully to make sure you have learned of all the charges they intend to make. The good faith estimate you receive when you make a loan application is a good checklist for this information, but it is not precise. Thus, you should ask the lender how the charges and fees are computed.

A Sample Worksheet

This page is a sample worksheet for a family purchasing a $35,000 house and getting a new $30,000 loan. Line 103 assumes that their total settlement charges are $1000. (This figure is the sum of all the individual settlement charges, which will be listed in detail in Section L, of their Uniform Settlement Statement.) The $1000 figure is merely illustrative. The amount may be higher in some areas and for some types of transactions, and lower for others.

J. SUMMARY OF BORROWER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:	
101. Contract sales price	35,000.00
102. Personal property	200.00
103. Settlement charges to borrower *(line 1400)*	1,000.00
104.	
105.	
Adjustments for items paid by seller in advance	
106. City/town taxes to	
107. County taxes to	
108. Assessments 6-30 to 7-31 (owners assn)	20.00
109. Fuel oil 25 to gal @.50/gal	12.50
110.	
111.	
112.	
120. GROSS AMOUNT DUE FROM BORROWER	36,232.50
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:	
201. Deposit or earnest money	1,000.00
202. Principal amount of new loan(s)	30,000.00
203. Existing loan(s) taken subject to	
204.	
205.	
206.	
207.	
208.	
209.	
Adjustments for items unpaid by seller	
210. City/town taxes to	
211. County taxes 1-1 to 6-30 @$600/yr	300.00
212. Assessments 1-1 to 6-30 @$100/yr	50.00
213.	
214.	
215.	
216.	
217.	
218.	
219.	
220. TOTAL PAID BY/FOR BORROWER	31,350.00
300. CASH AT SETTLEMENT FROM/TO BORROWER	
301. Gross amount due from borrower *(line 120)*	36,232.50
302. Less amounts paid by/for borrower *(line 220)*	31,350.00
303. CASH (☒ FROM) (☐ TO) BORROWER	4,882.50

Your Financial Worksheet

Once you have decided which providers you wish to use for your settlement services and have selected the lender who will make your loan, you can calculate the total estimated cash you will need to complete the purchase. The form below, which is a part of the Uniform Settlement Statement, can be used as a worksheet for this purpose.

J. SUMMARY OF BORROWER'S TRANSACTION	
100. GROSS AMOUNT DUE FROM BORROWER:	
101. Contract sales price	
102. Personal property	
103. Settlement charges to borrower *(line 1400)*	
104.	
105.	
Adjustments for items paid by seller in advance	
106. City/town taxes to	
107. County taxes to	
108. Assessments to	
109.	
110.	
111.	
112.	
120. GROSS AMOUNT DUE FROM BORROWER	
200. AMOUNTS PAID BY OR IN BEHALF OF BORROWER:	
201. Deposit or earnest money	
202. Principal amount of new loan(s)	
203. Existing loan(s) taken subject to	
204.	
205.	
206.	
207.	
208.	
209.	
Adjustments for items unpaid by seller	
210. City/town taxes to	
211. County taxes to	
212. Assessments to	
213.	
214.	
215.	
216.	
217.	
218.	
219.	
220. TOTAL PAID BY/FOR BORROWER	
300. CASH AT SETTLEMENT FROM/TO BORROWER	
301. Gross amount due from borrower *(line 120)*	
302. Less amounts paid by/for borrower *(line 220)*	( )
303. CASH (☐ FROM) (☐ TO) BORROWER	

100. GROSS AMOUNT DUE FROM BORROWER	Page 1 of the Uniform Settlement Statement summarizes all actual costs and adjustments for the borrower and seller, including total settlement fees and charges found on line 1400 of Section L.
101. Contract Sales Price	This is the price of the home agreed to in the sales contract between the buyer and seller.
102. Personal Property	If, at the time the sales contract was made, you and the seller agreed that some items were to be transferred with the house, the price of those items is entered here. If it was agreed to include these items in the price of the home, their cost will be part of the sales price recorded on line 101. Personal property could include items such as carpets, drapes, stove, refrigerator, etc.
103. Settlement Charges to Borrower	The total charges detailed in Section L and totaled on line 1400, are recorded here. This figure includes all of the items payable in connection with the loan, items required by the lender to be paid in advance, reserves deposited with the lender, title charges, government recording and transfer charges, and any additional related charges.
104-105. Additional Costs	This space is for listing any additional amounts owed the seller, such as reserve funds if the buyer is assuming the seller's loan. This may not be applicable to your settlement.

106-112. Adjustments	These include taxes, front footage charges, insurance, rent, fuel and other items that the seller has previously paid for covering a period which runs beyond the settlement date. The costs are usually divided on a proportional basis with the seller being reimbursed for charges accruing after the date of transfer of title.
120. GROSS AMOUNT DUE	This is the total of lines 101 through 112.
200. AMOUNTS PAID BY OR ON BEHALF OF BORROWER	
201. Deposit or Earnest Money	This is the amount which you paid against the sales price when the sales contract was signed. It is credited to the purchase.
202. Principal Amount of New Loan	This is the amount of the new mortgage which you will repay to the lender in the future.
203. Existing Loan(s)	If you are taking over the seller's mortgage(s) instead of obtaining a new loan or paying all cash, the amount still owed on those prior loans will be shown here.
210-219. Adjustments	This includes taxes or assessments which become due after settlement, but which the seller pays because they cover a period of time prior to settlement. See "Reserve Accounts" for a further discussion of these matters.
220. TOTAL AMOUNTS PAID BY/FOR BORROWER	This is the sum of lines 201 through 219.

300. CASH AT SETTLEMENT FROM/TO BUYER

Remaining are the summary lines which are 301-303 for the borrower (and 601-603 for the seller). Subtracting line 302 (gross amount paid by or for the borrower) from line 301 (gross amount due from the borrower) results in the net cash the borrower must pay at settlement.

RESERVE ACCOUNTS

In most instances, a monthly mortgage payment is made up of a payment on the principal amount of the mortgage debt which reduces the balance due on the loan, an interest payment which is the charge for use of the borrowed funds, and a reserve payment (also known as an escrow or impound payment) which represents approximately one-twelfth of the estimated annual insurance premiums, property taxes, assessments and other recurring charges.

When settlement occurs you may need to make an initial deposit into the reserve account; otherwise, your regular monthly deposits to it will not accumulate enough to pay the taxes, insurance or other charges when they fall due. Under RESPA, the maximum amount the lender can require borrowers or prospective borrowers to deposit into a reserve account at settlement is a total gross amount not to exceed the sum of: (a) an amount that would have been sufficient to pay taxes, insurance premiums, or other charges which would have been paid under normal lending practices, and ending on the due date of the first full monthly mortgage installment payment; plus (b) an additional amount not in excess of one-sixth (2 months) of the estimated total amount of taxes, insurance premiums and other charges to be paid on the dates indicated above during any twelve month period to follow.

An illustration will help clarify this calculation. Assume the following set of facts on a loan, and that taxes are paid at the end of the period against which taxes are assessed.

Example:

Settlement date	April 30, 1977
Due Date of first mortgage loan repayment	June 1, 1977
Taxes due yearly	$360.00
Monthly tax accrual	$ 30.00
Due date for taxes	December 1st for the calendar year

The reserve amount for category (a) is $180.00. This represents the amount of taxes accruing between December 1, 1976 (the last tax due date) and May 30, 1977 ($30.00 x 6 months). Reserve amounts chargeable under category (b) could be up to two months advance payment times $30.00 or a total of $60.00. Therefore, total reserve deposits for taxes at settlement would be a maximum of $240.00. Changing the due date for taxes and/or the first mortgage payment results in a different reserve amount for the same illustration.

The same procedure is used to determine the maximum amounts that can be collected by the lender for insurance premiums or other charges. You need to know the charges and due dates in order to compute the amounts.

Once you begin your monthly mortgage payments, you cannot be required to pay more than one-twelfth of the annual taxes and other charges each month, unless a larger payment is necessary to make up for a deficit in your account or to maintain the cushion of the one-sixth of annual charges mentioned in (b) above. A deficit may be caused, for example, if your taxes or insurance premiums are raised.

You should note that the above monthly mortgage payments reserve limitations apply to all RESPA covered mortgage loans whether they were originated before or after the implementation of RESPA.

ADJUSTMENTS BETWEEN BUYER AND SELLER

The previous section dealt with setting up and maintaining your reserve account with the lender. At settlement it is also usually necessary to make an adjustment between buyer and seller for property taxes and other charges. This is an entirely separate matter from the initial deposit which the borrower makes into the new reserve account.

The adjustments between buyer and seller are shown in Sections J and K of the Uniform Settlement Statement. In the example given in the foregoing section, the taxes, which are payable annually, had not yet been paid when the settlement occurs on April 30. The homebuyer will have to pay a whole year's taxes on the following December 1. However, the seller lived in the house for the first four months of the year. Thus, four-twelfths of the year's taxes are to be paid by the seller. Accordingly, lines 208 and 508 on the Uniform

Settlement Statement would read as follows:

County taxes 1/1/77 to 4/30/77 $120.00

The buyer would be given credit for this amount in the settlement and the seller would have to pay this amount or count it as a deduction from sums payable to the seller.

In some areas taxes are paid at the beginning of the taxable year. If, in our example, the taxes were paid by the seller on January 1, 1977 for the following tax year ending December 31, 1977, the buyer will have to compensate the seller for the taxes paid by the seller for those months that the buyer will be in possession of the property (April 30-December 31). This adjustment will be shown on lines 107 and 407 of the Uniform Settlement Statement. With settlement occurring on April 30, those lines will read as follows:

County taxes 4/30/77 to 12/31/77 $240.00

This amount would be credited to the seller in the settlement.

Similar adjustments are made for insurance (if the policy is being kept in effect), special assessments, fuel and other utilities, although the billing periods for these may not always be on an annual basis. Be sure you work out these prorations with the seller prior to settlement. It is wise for you to notify utility companies of the change in ownership and ask for a special reading on the day of settlement, with the bill for pre-settlement charges to be mailed to the seller at his new address. This will eliminate much confusion that can result if you are billed for utilities which cover the time when the seller owned the unit.

APPENDIX A

CONSUMER LITERATURE ON HOME PURCHASING, MAINTENANCE, PROTECTION, AND OTHER TOPICS

U. S. Department of Housing and Urban Development

Appraisals

Questions and Answers on FHA Home Property Appraisals	HUD-38-F

Condominiums

Financing Condominium Housing	HUD-77-F
HUD/FHA Non-Assisted Program for Condominium Housing	HUD-227-F
Questions About Condominiums	HUD-365-F
HUD/FHA Comparison of Condominium and Cooperative Housing	HUD-321-F

Cooperatives

Let's Consider Cooperatives	HUD-17-F
HUD/FHA Program for Unsubsidized Cooperative Housing	HUD-256-F

Home Mortgage Insurance

Home Mortgage Insurance	HUD-43-F
Programs for Home Mortgage Insurance	HUD-97-F

Home Ownership

The Home Buying Serviceman.	HUD-121-F
HUD's Home Ownership Subsidy Program	HUD-419-HPMC

Miscellaneous

Protecting Your Home Against Theft	HUD-315-F
Termites	HUD-323-F
Be An Energy Miser in Your Home	HUD-324-PA

Mobile Homes

Buying and Financing a Mobile Home	HUD-243-F
Mobile Home Financing Through HUD	HUD-265-F

General Interest

Wise Home Buying	HUD-267-F
Should You Buy or Rent a Home	HUD-328-F

Protecting Your Housing Investment	HUD-346-PA
Home Owners Glossary of Building Terms	HUD-369-F
Home Buyers Vocabulary	HUD-383-HM
Your Housing Rights	HUD-177-EO

Contact: U.S. Department of Housing & Urban Development, 451 Seventh Street, S.W., Washington, D.C. 20410, Room B-258 or HUD Regional Area and Insuring Offices throughout the country.

U.S. Veterans Administration

Pointers for the Veteran Homeowner
Questions and Answers on Guaranteed and Direct Loans for Veterans
To the Home-Buyer Veteran

Contact: Your Nearest VA Regional Office

U.S. Department of Agriculture

Selecting and Financing a Home

Contact: Office of Communications, U.S. Department of Agriculture
Washington, D.C. 20250

U.S. Department of Labor

Rent or Buy? (No. 178D)

Contact: Consumer Information Center,
Pueblo, Colorado 81009

General Services Administration

Consumer Information: A Catalog of Selected Federal Publications

Contact: Consumer Information Center,
Pueblo, Colorado 81009

PART 6

FLOOD INSURANCE

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FLOOD INSURANCE

A. WHY WAS LEGISLATION ENACTED?

The National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973 (which significantly expanded the scope and benefits of the earlier Act) were considered necessary because losses throughout the nation from floods and mudslides were increasing at an alarming rate. It was obvious that construction in flood prone areas had to be subjected to certain minimum guidelines if the loss of lives and property caused by unwise construction in such areas was to be reduced.

B. WHAT IS THE NATIONAL FLOOD INSURANCE PROGRAM?

It is a program which enables property owners to purchase flood insurance at rates made affordable by a Federal subsidy *provided that* the property is in a flood prone community which is participating in the National Flood Insurance Program (NFIP). For a community to qualify for participation in the program, it must adhere to flood plain management guidelines established by the U.S. Department of Housing and Urban Development (HUD), and the program itself is administered by HUD's Federal Insurance Administration.

Through the authority of its implementing legislation, the program also places certain responsibilities on Federally insured credit unions and other similar lenders when they make loans secured by certain properties which are located (or will be located) in an area designated as a special flood hazard area by HUD. These are discussed under section D.

C. THE ROLE OF THE NATIONAL CREDIT UNION ADMINISTRATION

The Flood Disaster Protection Act ("the Act") requires NCUA to issue regulations implementing the provisions of the Act and charges the Administrator with the responsibility for monitoring compliance with the Act by all Federally insured credit unions.

The following discussion highlights the requirements of the Act as implemented by Part 760 of the National Credit Union Administration Rules and Regulations.

D. HOW DO FLOOD INSURANCE REQUIREMENTS AFFECT FEDERALLY INSURED CREDIT UNIONS?

The availability of loans from financial institutions, including Federally insured credit unions, was determined by Congress to be contributing significantly to flood disaster losses. As a result, Congress places certain requirements on these institutions when they grant loans which will be secured by specific properties which are or will be located in a special flood hazard area (regardless of the purpose of the loans). Flood hazard areas include those subject to mudslide and erosion hazards.

1. LOANS SECURED BY IMPROVED REAL ESTATE OR MOBILE HOMES

A Federally insured credit union *cannot* make or extend any loan secured by improved real estate which is located (or is to be located) in an area identified by the Secretary of HUD as an area having special flood hazards, if that area is in a community participating in NFIP *unless* the building is covered by flood insurance. Such insurance (which should also cover any personal property securing that loan) must be in an amount at least equal to the outstanding principal balance of the loan (or to the maximum limit of coverage made available with respect to the particular type of property covered, whichever is less.) The same requirements apply to a loan secured by a mobile home in such an area.

Flood insurance is *not* required in cases where the special flood hazard area is located in a community which is *not* participating in the NFIP. However, Federal flood disaster relief assistance may not be available in the event of a Federally declared flood or flood-related disaster, thus increasing the risk to the credit union and the borrower. This information is covered in the notices required to be given to the borrower whenever a loan is granted which is secured by improved real estate (or a mobile home) in a special flood hazard area (regardless whether the community in question is participating in the NFIP). See Section 4.

Prohibitions against such lending may exist, however, in the case of FHA or VA-insured loans for the purchase of property in special flood hazard areas within non-participating communities. FHA and VA approved lenders will receive appropriate instructions from those agencies.

It is important to note that for the purposes of the National Flood Insurance Program HUD has defined "buildings" to include mobile homes, as well as any walled and roofed structure. A mobile home may be considered to be any movable structure built on a permanent chassis and designated to be used as a residence. It does not include recreational vehicles.

Since mobile homes in participating communities are required by NFIP to be placed on fixed foundations, insurance is required for all loans secured by mobile homes in special flood hazard areas in participating communities. Travel trailers and campers are not eligible for coverage, however, and the insurance does not apply to them.

When a mobile home is purchased and driven off a dealer's lot for an unknown ultimate destination, a loan to finance its purchase does not require the purchase of mandatory flood insurance. However, if the ultimate destination is known, the credit union must determine whether the "ultimate destination" is in a special flood hazard area.

2. LOANS INVOLVING PERSONAL PROPERTY

Federally insured credit unions must require flood insurance on personal property within an identified special flood hazard area located in a community participating in the National Flood Insurance Program, if:

(a) The loan for personal property was part of, or made at the same time as, a loan involving real estate or a mobile home; and

(b) The personal property itself was made subject to the real estate mortgage, chattel mortgage or other security interest for the benefit of the lender.

Thus, a loan secured by personal property (such as household furnishings) which was made independent of a real estate loan would not be subject to this flood insurance requirement.

3. DETERMINATION OF WHETHER PROPERTY IS LOCATED IN A SPECIAL FLOOD HAZARD AREA

If a Federally insured credit union is considering granting loans which are secured by improved real estate or mobile homes it must in each instance determine whether the property to be pledged is located in an area designated by HUD as a special flood hazard area. This is accomplished by reviewing a current FIA Flood Hazard Boundary Map or Flood Insurance Rate Map for the area in question. This may be done by the credit union or by a qualified agent (such as an appraiser) provided that the latter uses the same standards of determination as the credit union and gives its determination in writing. A HUD brochure, "How to Read A Flood Insurance Rate Map" (HUD-FIA 252) provides helpful information for making these determinations. Copies may be requested from any of the HUD Regional Offices listed in Appendix A.

If the property is located in an identified special flood hazard area, it can be accepted as security only if the community is participating in the flood insurance program *and* the appropriate amount of flood insurance is obtained. When the property in question is located outside a special flood hazard area, however, the provisions of the Act do not apply, and flood insurance is neither available nor required.

According to Guidelines established by HUD, determinations made by a lender acting in "good faith" concerning the location of a property with respect to a special flood hazard area are final, provided that the lender has obtained and relied upon the current FIA Flood Hazard Boundary Map or Flood Insurance Rate Map for the area in question. The determination of a lender is final even if a contrary conclusion is subsequently reached by another person, agency or body and regardless of any change in ownership of the property or status of the loan. Therefore, a federally insured credit union may rely on its own interpretation of whether a particular property is located in a special flood hazard area *provided* that a current map of the area is utilized in making a determination. A credit union can be certain whether any given map at hand is the current map by calling FIA's toll-free informational numbers: 800-424-8872 or 800-424-8873, or in area code (202) dial 426-1891 (Flood Plain Management Division).

HUD has further advised that even if property is located within the boundaries of a special flood hazard area as depicted on an FIA map, the intent of the National Flood Insurance Program is only to require insurance for property that is subject to flooding from a 100 year flood (that is, a flood having a one percent chance of occurring in a given year). Therefore, in light of this position, FIA has provided an administrative remedy for individuals who believe that their property has been wrongly included in such an FIA map. A credit union should continue to require insurance in such a case, and the complaining individual should be told to contact FIA and assert his request for a correction. If the claim of the individual is found to be correct, the premium on the insurance will be refunded by the National Flood Insurers Association, provided that the claim to that body is made in the same year in which the premium is applicable.

4. NOTIFICATION OF APPLICANT

Whenever the property is in a special flood hazard area, the credit union must give *written notice* to the borrower of the flood insurance requirement or obtain written assurance from the seller or lessor that the borrower has been notified of the requirement. This must be done a reasonable period in advance of closing the loan.

In addition, depending upon whether or not the community in which the special flood hazard area is located is participating in the NFIP, a Federally insured credit union must notify a borrower whether, in the event of a disaster caused by flood to such property, Federal disaster relief assistance will be available. The recommended form for these required notices can be found in Appendix D and in Part 760.2 of the NCUA Rules and Regulations.

E. FLOOD INSURANCE POLICIES

The Flood Disaster Protection Act requires that where private flood insurance is obtained, the insurance coverage offered by the insurer is at least as broad as the coverage offered by the standard Federal flood insurance policy issued by HUD under the National Flood Insurance Program. The Federal Insurance Administration may grant an exception to requiring the standard flood insurance policy. Questions regarding the acceptability of other flood insurance policies should be directed to the National Flood Insurance Program, P.O. Box 34294, Bethesda, Md. 20034, or call the following toll-free number, 800-638-6620. Such information can also be obtained from the HUD Regional Flood Insurance Specialists at the locations listed in Appendix (A) or the appropriate State Coordinating Agency as listed in Appendix (B).

NOTE: For any loan where flood insurance is required, the policy must be written for the term of the loan and in an amount equal to the maximum coverage available or the amount of the loan, *whichever is less.*

It is recommended that credit unions treat the flood insurance purchase requirement in essentially the same way as the fire insurance requirement they already customarily impose. That is, credit unions should require a copy of the Standard Flood Insurance Policy endorsed to show the credit union as a beneficiary. At the time of granting the loan, a copy of the flood insurance policy application indicating that the full premium has been paid is sufficient evidence of the purchase of flood insurance. There is a 15 day waiting period before coverage becomes effective. A copy of the policy should be obtained and maintained by the credit union. Since the flood insurance policy is an annual policy, lenders will be expected to see that flood insurance is renewed and maintained for the entire duration of the loan. If the borrower does not renew his policy, the credit union will have the option of renewing it for him or calling the loan. Copies of flood insurance policies and renewal notices will be furnished lien holders by the insurer (or in the event that they are not available through the insurer, contact NFIP at the above address).

F. WHERE TO OBTAIN FLOOD BOUNDARY MAPS AND INFORMATION

Information as to the availability of flood insurance and the maximum limits of coverage obtainable with respect to a particular type of property can be obtained from the NFIP at the above address and telephone number. The insurer is also responsible for the distribution of literature on the program and will provide upon request flood boundary maps for individual communities in the flood insurance program. General information is nity which is *not* participating in the NFIP. However, Federal flood disaster relief assistance may not be available in the event of a Federally declared flood or flood-related disaster, thus increasing the risk to the credit union and the borrower. This information is covered in the notices required to be given to the borrower whenever a loan is granted which is secured by improved real estate (or a mobile home) in a special flood hazard area (regardless whether the community in question is participating in the NFIP). See Section 4.

Prohibitions against such lending may exist, however, in the case of FHA or VA-insured loans for the purchase of property in special flood hazard areas within non-participating communities. FHA and VA approved lenders will receive appropriate instructions from those agencies.

It is important to note that for the purposes of the National Flood Insurance Program HUD has defined "buildings" to include mobile homes, as well as any walled and roofed structure. A mobile home may be considered to be any movable structure built on a permanent chassis and designated to be used as a residence. It does not include recreational vehicles.

Since mobile homes in participating communities are required by NFIP to be placed on fixed foundations, insurance is required for all loans secured by mobile homes in special flood hazard areas in participating communities. Travel trailers and campers are not eligible for coverage, however, and the insurance does not apply to them.

When a mobile home is purchased and driven off a dealer's lot for an unknown ultimate destination, a loan to finance its purchase does not require the purchase of mandatory flood insurance. However, if the ultimate destination is known, the credit union must determine whether the "ultimate destination" is in a special flood hazard area.

2. LOANS INVOLVING PERSONAL PROPERTY

Federally insured credit unions must require flood insurance on personal property within an identified special flood hazard area located in a community participating in the National Flood Insurance Program, if:

(a) The loan for personal property was part of, or made at the same time as, a loan involving real estate or a mobile home; and

(b) The personal property itself was made subject to the real estate mortgage, chattel mortgage or other security interest for the benefit of the lender.

Thus, a loan secured by personal property (such as household furnishings) which was made independent of a real estate loan would not be subject to this flood insurance requirement.

3. DETERMINATION OF WHETHER PROPERTY IS LOCATED IN A SPECIAL FLOOD HAZARD AREA

If a Federally insured credit union is considering granting loans which are secured by improved real estate or mobile homes it must in each instance determine whether the property to be pledged is located in an area designated by HUD as a special flood hazard area. This is accomplished by reviewing a current FIA Flood Hazard Boundary Map or Flood Insurance Rate Map for the area in question. This may be done by the credit union or by a qualified agent (such as an appraiser) provided that the latter uses the same standards of determination as the credit union and gives its determination in writing. A HUD brochure, "How to Read A Flood Insurance Rate Map" (HUD-FIA 252) provides helpful information for making these determinations. Copies may be requested from any of the HUD Regional Offices listed in Appendix A.

If the property is located in an identified special flood hazard area, it can be accepted as security only if the community is participating in the flood insurance program *and* the appropriate amount of flood insurance is obtained. When the property in question is located outside a special flood hazard area, however, the provisions of the Act do not apply, and flood insurance is neither available nor required.

According to Guidelines established by HUD, determinations made by a lender acting in "good faith" concerning the location of a property with respect to a special flood hazard area are final, provided that the lender has obtained and relied upon the current FIA Flood Hazard Boundary Map or Flood Insurance Rate Map for the area in question. The determination of a lender is final even if a contrary conclusion is subsequently reached by another person, agency or body and regardless of any change in ownership of the property or status of the loan. Therefore, a federally insured credit union may rely on its own interpretation of whether a particular property is located in a special flood hazard area *provided* that a current map of the area is utilized in making a determination. A credit union can be certain whether any given map at hand is the current map by calling FIA's toll-free informational numbers: 800-424-8872 or 800-424-8873, or in area code (202) dial 426-1891 (Flood Plain Management Division).

HUD has further advised that even if property is located within the boundaries of a special flood hazard area as depicted on an FIA map, the intent of the National Flood Insurance Program is only to require insurance for property that is subject to flooding from a 100 year flood (that is, a flood having a one percent chance of occurring in a given year). Therefore, in light of this position, FIA has provided an administrative remedy for individuals who believe that their property has been wrongly included in such an FIA map. A credit union should continue to require insurance in such a case, and the complaining individual should be told to contact FIA and assert his request for a correction. If the claim of the individual is found to be correct, the premium on the insurance will be refunded by the National Flood Insurers Association, provided that the claim to that body is made in the same year in which the premium is applicable.

4. NOTIFICATION OF APPLICANT

Whenever the property is in a special flood hazard area, the credit union must give *written notice* to the borrower of the flood insurance requirement or obtain written assurance from the seller or lessor that the borrower has been notified of the requirement. This must be done a reasonable period in advance of closing the loan.

In addition, depending upon whether or not the community in which the special flood hazard area is located is participating in the NFIP, a Federally insured credit union must notify a borrower whether, in the event of a disaster caused by flood to such property, Federal disaster relief assistance will be available. The recommended form for these required notices can be found in Appendix D and in Part 760.2 of the NCUA Rules and Regulations.

E. FLOOD INSURANCE POLICIES

The Flood Disaster Protection Act requires that where private flood insurance is obtained, the insurance coverage offered by the insurer is at least as broad as the coverage offered by the standard Federal flood insurance policy issued by HUD under the National Flood Insurance Program. The Federal Insurance Administration may grant an exception to requiring the standard flood insurance policy. Questions regarding the acceptability of other flood insurance policies should be directed to the National Flood Insurance Program, P.O. Box 34294, Bethesda, Md. 20034, or call the following toll-free number, 800-638-6620. Such information can also be obtained from the HUD Regional Flood Insurance Specialists at the locations listed in Appendix (A) or the appropriate State Coordinating Agency as listed in Appendix (B).

NOTE: For any loan where flood insurance is required, the policy must be written for the term of the loan and in an amount equal to the maximum coverage available or the amount of the loan, *whichever is less.*

It is recommended that credit unions treat the flood insurance purchase requirement in essentially the same way as the fire insurance requirement they already customarily impose. That is, credit unions should require a copy of the Standard Flood Insurance Policy endorsed to show the credit union as a beneficiary. At the time of granting the loan, a copy of the flood insurance policy application indicating that the full premium has been paid is sufficient evidence of the purchase of flood insurance. There is a 15 day waiting period before coverage becomes effective. A copy of the policy should be obtained and maintained by the credit union. Since the flood insurance policy is an annual policy, lenders will be expected to see that flood insurance is renewed and maintained for the entire duration of the loan. If the borrower does not renew his policy, the credit union will have the option of renewing it for him or calling the loan. Copies of flood insurance policies and renewal notices will be furnished lien holders by the insurer (or in the event that they are not available through the insurer, contact NFIP at the above address).

F. WHERE TO OBTAIN FLOOD BOUNDARY MAPS AND INFORMATION

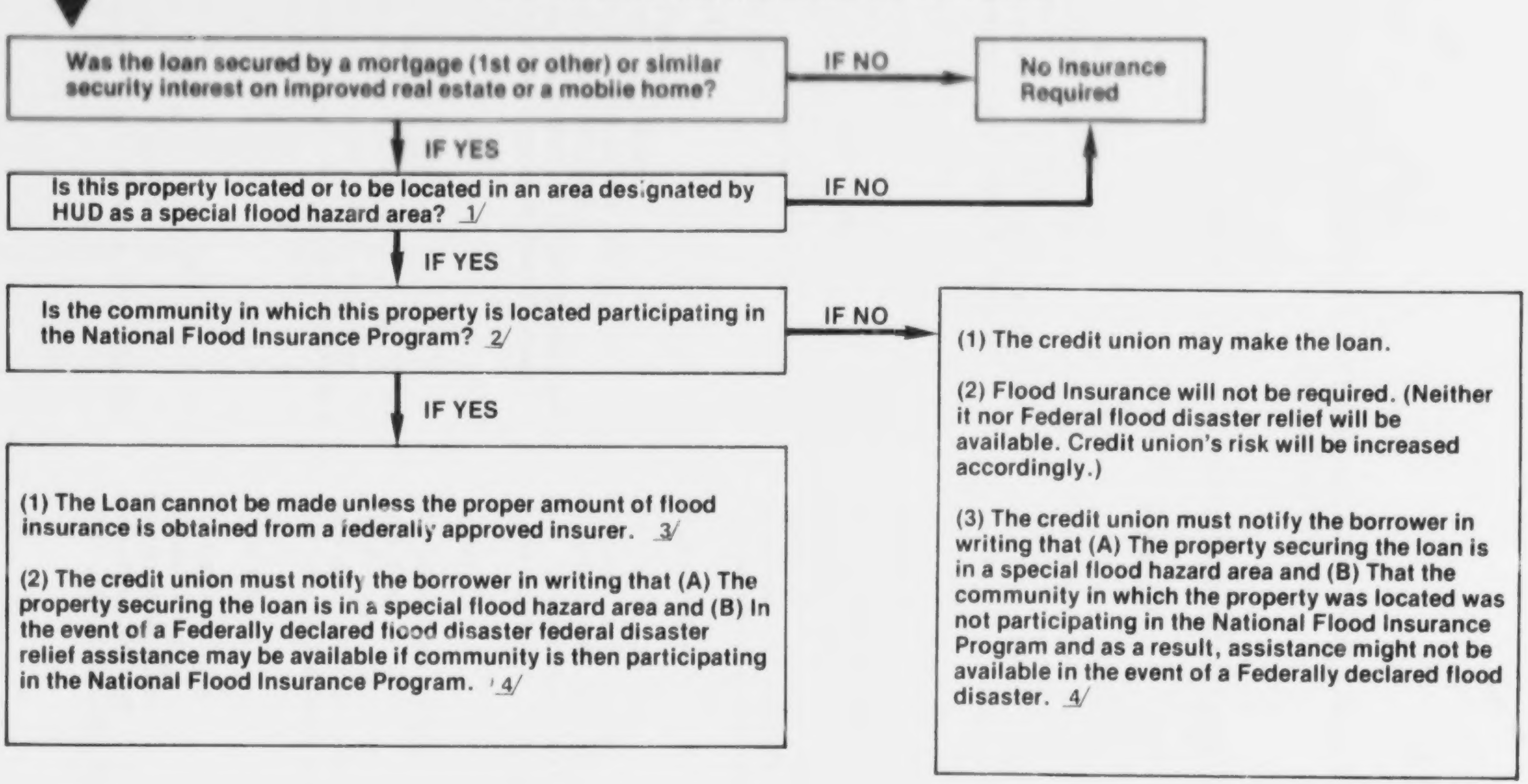
Information as to the availability of flood insurance and the maximum limits of coverage obtainable with respect to a particular type of property can be obtained from the NFIP at the above address and telephone number. The insurer is also responsible for the distribution of literature on the program and will provide upon request flood boundary maps for individual communities in the flood insurance program. General information is also usually available from any licensed property insurance agent or broker within the community. Information on the flood insurance program can also normally be obtained from the office of the chief executive officer of the community. Special questions on any of the above matters may be addressed to the Federal Insurance Administration.

G. QUESTIONS AND EXPLANATIONS—IS YOUR CREDIT UNION IN COMPLIANCE?

The following questions address in general terms the requirements of the Flood Insurance Regulations.

QUESTIONS	EXPLANATIONS
1. Does the credit union make any loans which are secured by improved real estate or mobile homes? (If no, STOP.)	1. Loans subject to flood insurance may be made for any purpose as long as they are secured by a security interest in improved real estate (residence or other walled and roofed structure) or a mobile home on a fixed foundation.
2. When making these loans does the credit union make a "good faith" determination whether the property securing them is located within a special flood hazard area?	2. Under HUD's guidelines, determinations made by a credit union acting in "Good Faith" (concerning the location of a property with respect to a special flood area) are final, provided that the credit union or its qualified agent relied on the current FIA Flood Hazard Boundary Map or Flood Insurance Rate Map for the area in question. (A credit union can be certain that the map is current by calling 800-424-8872 or 8873. Credit unions in the 202 area code may call 426-1891.)
3. Does the credit union require official flood insurance on the property and its contents in each case where the property is found to be located within a special flood hazard area in a community participating in the National Flood Insurance Program?	3. & 4. If loans of this type are secured by property in a special flood hazard area, the community must be participating in an approved flood program, the FCU must require official flood insurance on the property *and* a copy of the insurance policy should be on file. If the community is not participating in an approved flood program, official flood insurance would not be available.
4. If so, is a copy of the flood insurance policy in the loan file?	
5. Have the required notices been given in connection with all loans secured by improved real estate or a mobile home which is (or will be) located in a special flood hazard area?	5. The recommended forms for these notices are set out in Part 760 of the NCUA Rules and Regulations.

H. HOW TO DETERMINE THE EFFECT OF FLOOD INSURANCE REQUIREMENTS ON A LOAN



Was the loan secured by a mortgage (1st or other) or similar security interest on improved real estate or a mobile home?

Is this property located or to be located in an area designated by HUD as a special flood hazard area? 1/

Is the community in which this property is located participating in the National Flood Insurance Program? 2/

(1) The Loan cannot be made unless the proper amount of flood insurance is obtained from a federally approved insurer. 3/

(2) The credit union must notify the borrower in writing that (A) The property securing the loan is in a special flood hazard area and (B) In the event of a Federally declared flood disaster federal disaster relief assistance may be available if community is then participating in the National Flood Insurance Program. 4/

(1) The credit union may make the loan.

(2) Flood Insurance will not be required. (Neither it nor Federal flood disaster relief will be available. Credit union's risk will be increased accordingly.)

(3) The credit union must notify the borrower in writing that (A) The property securing the loan is in a special flood hazard area and (B) That the community in which the property was located was not participating in the National Flood Insurance Program and as a result, assistance might not be available in the event of a Federally declared flood disaster. 4/

1/ This requires a good faith determination based upon reference to a current Federal Insurance Rate Map or (if not available) a Flood Hazard Boundary Map.

2/ If unknown and information is not available at county courthouse call FIA toll free at 800-424-8872 (or in area code 202, call 426-1891)

3/ Copy of policy should be placed in loan file.

4/ See part 760 of NCUA Rules and Regulations for approved forms for notification.

APPENDIX A

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

REGIONAL FLOOD INSURANCE SPECIALISTS

Region I

15 New Chardon Street
Boston, Massachusetts 02114
Telephone: (617) 223-2616
(For Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island & Vermont)

Region II

90 Church Street
Room 801
New York, New York 10007
Telephone: (212) 264-4756
(For New Jersey, New York, Puerto Rico, & Virgin Islands)

Region III

Curtis Building
Sixth and Walnut Streets
Philadelphia, Pennsylvania 19106
Telephone: (215) 597-9581
(For Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, & West Virginia)

Region IV

1371 Peachtree Street, N. E.
Atlanta, Georgia 30309
Telephone: (404) 881-2391
(For Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina & Tennessee)

Region V

1 North Dearborn Street
Chicago, Illinois 60606
Telephone: (312) 353-0757
(For Illinois, Indiana, Michigan, Minnesota, Ohio & Wisconsin)

Region VI

Earle Cabell Building
1100 Commerce Street
Dallas, Texas 75242
Telephone: (214) 749-7412
(For Arkansas, Louisiana, New Mexico, Oklahoma & Texas)

Region VII

Federal Office Building
911 Walnut Street
Kansas City, Missouri 64106
Telephone: (816) 374-2161
(For Iowa, Kansas, Missouri & Nebraska)

Region VIII

909 17th St.—Rm 311
Denver, Colorado 80202
Telephone: (303) 837-5041
(For Colorado, Montana, North Dakota, South Dakota, Utah & Wyoming)

Region IX

450 Golden Gate Avenue
Post Office Box 36003
San Francisco, California 94102
Telephone: (415) 556-3543
(For Arizona, California, Hawaii & Nevada)

Region X

540 Logan Building
5th and Union
Seattle, Washington 98101
Telephone: (206) 442-1026
(For Alaska, Idaho, Oregon & Washington)

APPENDIX B

STATE COORDINATING AGENCIES FOR FLOOD INSURANCE

STATE	AGENCY AND ADDRESS	RESPONSIBLE OFFICIAL	CONTACT PERSON	TELEPHONE NUMBER
Alabama	Alabama Development Office Office of State Planning State Office Building 3734 Atlanta Highway Montgomery, Alabama 36130	E. C. Bamberg Director	Sherman Shores	205-832-6400
Alaska	Department of Community and Regional Affairs Division of Community Research and Planning Pouch B Juneau, Alaska 99801	Kevin Waring Director	Larry Kimball	907-276-1721
Arizona	Arizona State Land Department 1624 W. Adams, Room 400 Phoenix, Arizona 85007	Andrew Bettwy Commissioner	Robert Yount	602-271-4625
Arkansas	Division of Soil and Water Resources State Department of Commerce 1200 Westpark Drive, Room 308 Little Rock, Arkansas 72204	John Saxton Director	John Saxton Larry White	501-371-1611
California	The Resource Agency Department of Water Resources State of California P. O. Box 388 Sacramento, California 95802	Ronald B. Robie Director	Jack Pardee	916-445-2985 FTS-465-2985

Colorado	Colorado Water Conservation Board State Centennial Bldg. 1313 Sherman Street, Rm. 823 Denver, Colorado 80203	Felix L. Sparks Director	Eugene Jencsock	303-892-3441
Connecticut	Department of Environmental Protection Division of Water and Related Resources Room 215, State Office Bldg. Hartford, Connecticut 06115	Edward Daly Director	Robert Sonnichsen	203-556-7245
Delaware	Delaware State Planning Office Thomas Collins Building 530 S. Dupont Highway Dover, Delaware 19901	David Keifer Director	Michael Thompson	302-678-4271
Florida	Department of Community Affairs 2501 Executive Center Circle East Howard Building Tallahassee, Florida 32301	Wm. H. Ravenell Secretary	Jim Sayes	904-488-7956
Georgia	Department of Natural Resources Office of Planning and Research 270 Washington Street, S.W. Room 707 Atlanta, Georgia 30334	Joseph Tanner Commissioner	Stephen Pressman	404-656-5164
Hawaii	Division of Water & Land Development Dept. of Land & Natural Resources P. O. Box 621 Honolulu, Hawaii 96809	Christopher Cobb Chairman	Albert Ching	808-548-7642
Idaho	Department of Water Resources State House Boise, Idaho 83720	R. Keith Higginson Director	Steven Allred Kenneth Dunn	208-384-2215 208-964-2215
Illinois	Illinois Dept. of Transportation Division of Water Resources 300 North State Street, Rm. 1010 Chicago, Illinois 60610	French Wetmore Coordinator	French Wetmore	312-793-3864

STATE COORDINATING AGENCIES FOR FLOOD INSURANCE — *(CONTINUED)*

STATE	AGENCY AND ADDRESS	RESPONSIBLE OFFICIAL	CONTACT PERSON	TELEPHONE NUMBER
Indiana	Division of Water Department of Natural Resources 608 State Office Building Indianapolis, Indiana 46204	Joseph D. Cloud	Gordon Lance	317-633-5267
Iowa	Iowa Natural Resources Council James W. Grimes Building Des Moines, Iowa 50319	Jim Cooper Director	Jack Riessen	515-281-5914
Kansas	Kansas Water Resources Board Suite 303 503 Kansas Avenue Topeka, Kansas 66603	Guy E. Gibson Chief Engineer	J. William Funk	913-296-3717
Kentucky	Division of Water Kentucky Department of Natural Resources Capitol Plaza Office Tower Frankfort, Kentucky 40601	Oscar T. McCuthen Director	Everett Green	504 564-3980
Louisiana	State Department of Public Works P. O. Box 44155 Capitol Station Baton Rouge, Louisiana 70804	Roy Aguillard Director	H. B. Myers Assistant Director	504-389-6287
Maine	Bureau of Civil Emergency Preparedness State House Augusta, Maine 04330	Nicholas Caragaris	Redington Robbins, III	207-622-6201
Maryland	Department of Natural Resources Water Resources Division State Office Building Annapolis, Maryland 21401	Herbert Sachs Director	Robert Rauch	301-267-5826

Massachusetts	Division of Water Resources Water Resources Commission State Office Building 100 Cambridge Street Boston, Massachusetts 02202	Charles Kennedy Director	Michael Beshara	617-727-3267
Michigan	Water Resources Commission Bureau of Water Management Stevens T. Mason Bulding Lansing, Michigan 48926	Ralph W. Purdy Executive Secretary	Dan Morgan James Boulton	517-373-3930
Minnesota	Flood Plain-Shore Line Management Unit Department of Natural Resources Centennial Office Building St. Paul, Minnesota 55155	Gerald D. Seinwell Director	James M. Wright	612-296-4803
Mississippi	Mississippi Research and Development Center P. O. Drawer 2470 Jackson, Mississippi 39205	Dr. Kenneth Wagner Director	Willard Inman	601-982-6372 6376
Missouri	Disaster Planning and Operations Office 1717 Industrial Drive P. O. Box 116 Jefferson City, Missouri 65101		Bill Beatty[1]	314-751-2321

[1] (not designated as official State Coordinator, but serves in that capacity)

Montana	Montana Dept. of Natural Resources & Conservations Water Resources Division 32 South Ewing Street Helena, Montana 59601	Orrin Ferris	Chuck Parrett	406-449-2872
Nebraska	Nebraska Natural Resources Commission Terminal Building, 7th Floor Lincoln, Nebraska 68508	Albert Mathews	Bob Shaw	402-471-2081

STATE COORDINATING AGENCIES FOR FLOOD INSURANCE — *(CONTINUED)*

STATE	AGENCY AND ADDRESS	RESPONSIBLE OFFICIAL	CONTACT PERSON	TELEPHONE NUMBER
Nevada	Division of Water Resources Department of Conservation and Natural Resources Nye Building Carson City, Nevada 89701	Roland Westergard State Water Engineer	Brian Randall	702-885-4380
New Hampshire	Office of State Planning Division of Community Planning State House Annex Concord, New Hampshire 03301	George E. McAvoy Acting Director	Michael Blake	603-271-2359 2156 2220
New Jersey	Bureau of Water Control Department of Environmental Protection P. O. Box 2809 Trenton, New Jersey 08625	John O'Dowd Chief 609-292-2373	Clark Gilman Bob Liptak	609-292-2373 2296
New Mexico	State Engineer's Office Bataan Memorial Building Santa Fe, New Mexico 87501	Steve Reynolds State Engineer	Fred Allen	505-827-2527
New York	New York State Department of Environmental Conservation 50 Wolf Road, Rm. 422 Albany, New York 12235	Peter A. Berle Commissioner Mail: Frank Dwyer	Bill Dailey Frank Dwyer	518-457-5666
N. Carolina	Division of Community Assistance Department of Natural and Economic Resources P. O. Box 27687 Raleigh, North Carolina 27611	George Pickett Director	Craig M. Barfield	919-829-2850
N. Dakota	State Water Commission State Office Building 900 E. Boulevard Bismarck, North Dakota 58501	Vernon Fahy Engineer-Secretary	Ken Royse	701-224-2750

Ohio	Ohio Dept. of Natural Resources Flood Plain Program Ohio Department Bldg. Fountain Square Columbus, Ohio 43224	Dr. Robert W. Teater Director	Paul Roseberry	614-466-7803
Oklahoma	Oklahoma Water Resources Board 5th Floor, Jim Thorpe Building Oklahoma City, Oklahoma 73105	Paul R. Wilson Acting Executive Director	Paul R. Wilson	405-521-3386
Oregon	Intergovernmental Relations Division 240 Cottage St., S.E. State of Oregon Salem, Oregon 97310	William Young Administrator	Richard Jentsch	503-378-3732
Pennsylvania	Department of Community Affairs South Office Building Capitol Complex Harrisburg, Pennsylvania 17120	William H. Wilcox Secretary	Bruce Hearn Kerry Wilson	717-787-7400
Puerto Rico	Southwest Region Project P. O. Box 41119 Puerto Rico Planning Board Santurce, Puerto Rico 00940	Enrique R. Soler Clo Quell, President	Boris L. Oxmas	809-726-5440 809-726-6200 ext. 2709
Rhode Island	R. I. Statewide Planning Program 265 Melrose Street Providence, Rhode Island 02907	Daniel W. Varin Chief	Victor J. Parmentier	401-277-2656
S. Carolina	South Carolina Water Resources Commission P. O. Box 4515 3830 Forest Drive Columbia, South Carolina 29240	Clair P. Guess, Jr. Executive Director	Stephen T. Sutterfield Gary J. Matthews	803-758-2514
S. Dakota	State Planning Bureau Office of Executive Management State Capitol Pierre, South Dakota 57501	Don Bucks Commissioner	Bruce Lutz	605-224-3661

STATE COORDINATING AGENCIES FOR FLOOD INSURANCE — (*CONTINUED*)

STATE	AGENCY AND ADDRESS	RESPONSIBLE OFFICIAL	CONTACT PERSON	TELEPHONE NUMBER
Tennessee	Local Planning Office 660 Capitol Hill Building Nashville, Tennessee 37219	Donald Waller Director of Local Planning	Ms. Melinda Hulsey	615-741-2211
Texas	Texas Water Development Board P. O. Box 13087 Capitol Station Austin, Texas 78711	James Rose Executive Director	Everett W. Rowland	512-475-2171
Utah	Department of Natural Resources Division of Water Resources State Capitol Building, Rm. 435 Salt Lake City, Utah 84114	Dan Lawrence Director	Barry Saunders	801-328-5401
Vermont	Management & Engineering Division Water Resources Department State Office Building Montpelier, Vermont 05602	John E. Gerutti Director	William Albert	802-828-2393
Virginia	Bureau of Water Control Management State Water Control Board P. O. Box 11143 Richmond, Virginia 23230	J. M. Alexander	Dale Jones Bob Gay	804-770-1411

Washington	Department of Ecology Olympia, Washington 98504	John A. Biggs Director	Edward C. Hammersmith	206-753-3829
W. Virginia	Office of Federal-State Relations Division of Planning and Development Capitol Building, Rm. 150 Charleston, West Virginia 25305	Carl L. Bradford Director	Barbara Given	304-348-2246
Wisconsin	Department of Natural Resources Flood Plain-Shoreline Management Section P. O. Box 450 Madison, Wisconsin 53701	L. P. Voigt Secretary	Tom Lee	608-266-3093
Wyoming	Wyoming Disaster and Civil Defense Agency P. O. Box 1709 Cheyenne, Wyoming 82001	Howard Smith Agency Coordinator	Howard Smith	307-777-9566
District of Columbia	Department of Insurance 614 H Street, N.W. Washington, D.C. 20001	Maximilian Wallach Commissioner	Maximilian Wallach (202) 629-4514	202-629-4514
Virgin Islands	Virgin Islands Planning Board P. O. Box 2606 Charlotte Amalie St. Thomas, Virgin Islands 00801	Thomas Blake Planning Director	Thomas Blake	

APPENDIX C

1. NOTICE TO BORROWER OF SPECIAL FLOOD HAZARD AREA

Notice is hereby given to _________that the improved real estate or mobile home described in the attached instrument is or will be located in an area designated by the Secretary of the Department of Housing and Urban Development as a special flood hazard area. This area is delineated on _______'s Flood Insurance Rate Map (FIRM) or, if the FIRM is unavailable, on the Flood Hazard Boundary Map (FHBM). This area has a 1% chance of being flooded within any given year. The risk of exceeding the 1% chance increases with time periods longer than one year. For example, during the life of a 30 year mortgage, a structure located in a special flood hazard area has a 26% chance of being flooded.

2. NOTICE TO BORROWER ABOUT FEDERAL FLOOD DISASTER ASSISTANCE

Lender Check (a) or (b)

(a) Notice in Participating Communities

The improved real estate or mobile home securing your loan is or will be located in a community that is now participating in the National Flood Insurance Program. In the event that such property is damaged by flooding in a federally-declared disaster, Federal Disaster relief assistance may be available. However, such assistance will not be available if your community is not participating in the National Flood Insurance Program at the time such assistance would be approved (unless such approval is granted within one year from the date your community was identified by the Secretary of the Department of Housing and Urban Development as being flood prone). This assistance, usually in the form of a loan with a favorable interest rate, may be available for damages incurred in excess of the amount of your flood insurance.

(b) Notice in Nonparticipating Community

The improved real estate or mobile home securing your loan is or will be located in a community that is not now participating in the National Flood Insurance Program. This means that you are not eligible for Federal flood insurance. In the event that your property is damaged by flooding in a federally declared disaster, Federal disaster relief assistance will not be available (unless approval for such assistance is granted within one year from the date your community was identified by the Secretary of the Department of Housing and Urban Development as being flood prone). In other words, Federal flood disaster relief assistance will be available only if, at the time such assistance would be approved, your community is participating in the National Flood Insurance Program, or approval for such assistance is granted within one year from the date your community was identified as being flood prone.

3. STATEMENT OF THE MEMBER-BORROWER

I, _________a member of the _____Credit Union, hereby acknowledge that on the date indicated below I have received a Notice to Borrower of Special Flood Hazards, indicating that the property securing my loan is in an area identified as having special flood hazards, and a Notice to Borrower About Federal Flood Disaster Assistance, indicating whether such assistance will or will not be available for such property.

Dated: ______________________________

____

(Signature and address of member-borrower.)

PART 7

REGULATION C—HOME MORTGAGE DISCLOSURE ACT

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PART 7

REGULATION C—HOME MORTGAGE DISCLOSURE ACT

A. WHAT IS IT?

The Home Mortgage Disclosure Act, frequently referred to as the "anti redlining" law, is a law which requires certain depository institutions, including credit unions, to disclose publicly where their mortgage loans have been granted. Congress gave the Federal Reserve Board the responsibility for developing the regulation to implement the Act. Accordingly, the Federal Reserve Board issued Regulation C which became effective June 28, 1976. Congress also specifically designated the National Credit Union Administration as the agency responsible for enforcing these provisions among *all* affected credit unions.

B. WHY WAS IT ENACTED?

The Act grew out of allegations that there are mortgage credit (loan) shortages in parts of certain urban communities. These allegations were supported by testimony of various public interest groups which documented that some financial institutions were following the practice of ruling out certain residential areas of the city as ineligible for mortgage credit. It was also stated that this practice, which is known as redlining, frequently resulted in the decline of inner city neighborhoods and in discrimination against various groups of residents.

In enacting this law, therefore, it was the expressed intent of Congress to provide for the development and disclosure of sufficient information for interested persons and public officials to determine whether depository institutions are fulfilling their lending obligations to serve the housing needs of all segments of the neighborhoods in which they are located.

A continuing study of this area is being carried out by HUD. It is HUD's responsibility to recommend any additional legislation which the study may indicate is necessary or desirable. It is important to recognize, however, that *nothing in the Act or Regulation in any way modifies the need for a lender to exercise sound, nondiscriminatory judgment in evaluating the creditworthiness of loan applicants or sound value of collateral.*

C. WHAT CREDIT UNIONS ARE AFFECTED BY THIS REGULATION?

A credit union which meets all *three* of the following conditions is subject to the Act:

(a) It must have over $10 million in assets at the end of its most recent fiscal year. (This will be the year for which the disclosure report is prepared.) Since reports will be required for each fiscal year (at least through June 28, 1980) credit unions reaching $10 million during the interim may become subject to the reporting requirements of this Regulation.

(b) It must maintain an office (main or branch) in one or more SMSA (Standard Metropolitan Statistical Area) as established by the Office of Management and Budget.

(c) It must make Federally related residential mortgage loans. Any state chartered credit union, however, which is subject to the disclosure and reporting requirements of a State or local mortgage disclosure law may be exempt from the requirements of Regulation C *if* the Board of Governors of the Federal Reserve System has *specifically determined* that its requirements are substantially similar to those of Regulation C. Any credit union which believes that it is in this category should see the provisions of Section 203.5(a)(2) and 203.3(a)(3) of the Regulation and seek the assurance of the National Credit Union Administration.

D. WHAT IS A FEDERALLY RELATED MORTGAGE LOAN?

For purposes of determining applicability of Regulation C, a Federally related mortgage loan is any loan which is secured by a *first lien* on *residential real property* (including individual units in a cooperative or condominium) and is designed principally for the occupancy of 1 to 4 families and is located in a State (including the Commonwealth of Puerto Rico and the District of Columbia) *and* is

(a) made by a depository institution (including a credit union) which is regulated by or whose deposits are insured by any agency of the Federal Government, *or*

(b) guaranteed, insured or assisted by HUD or any other Federal agency, *or*

(c) made with the intent of being sold to FNMA, GNMA, etc.

The above definition specifically excludes loans for temporary financing, FHA Title I loans and loans secured by mobile homes (unless mobile homes are classified as real estate by the respective State law).

The following situations are illustrated to clarify this area:

If a *Federally insured credit union* with over $10 million in assets makes home improvement loans and second mortgage loans, but makes *no* first mortgage loans, Regulation C is not applicable, and no reporting requirements under it need to be met. Note, even the granting of *one* first mortgage residential real estate loan by this credit union would require disclosure reports under Regulation C be made for the fiscal year in which the loan was made.

If a non federally insured *credit union* with over $10 million in assets makes home improvement loans and second mortgage loans, but makes *no* Federally insured, guaranteed or assisted first mortgage loans, Regulation C is not applicable and no reporting requirements under it need to be met. Note, even the granting of *one* Federally guaranteed first mortgage residential real estate loan by the above credit union would require disclosure reports under Regulation C be made for the fiscal year in which the loan was made.

E. WHAT MUST AFFECTED CREDIT UNIONS DO TO COMPLY WITH REGULATION C ?

Generally, affected credit unions must prepare and make available disclosure statements (reports) which reflect certain mortgage loan data.

1. MORTGAGE LOAN DISCLOSURE STATEMENTS (Report Form HMDA-1)

i. What are They and What Must be Disclosed?

An illustration of the mortgage loan disclosure statement, Form HMDA-1, is contained on pages 9 and 10 of the Regulation C pamphlet in the Appendix to this section. Requirements regarding the disclosure of mortgage loan data are itemized in Section 203.4 of Regulation C. Additional instructions are reflected at the bottom of page 2 of Form HMDA-1. As the format indicates, the data to be reported is divided between loans made and loans purchased. Both types require data to be broken into separate line item summaries for each applicable census tract within the SMSA or SMSAs for which the report is being made.

Further, within each line it is necessary to know whether the loan is FHA, FMHA or VA insured, whether the loan was made to the occupant of the property and whether the dwelling is designed for more than four families. Likewise, reporting on home improvement loans includes all loans (secured or unsecured), the proceeds of which are used for the purpose of repairing or remodeling an existing dwelling. IMPORTANT: These reporting categories should *not* be confused with the rules for determining whether the credit union makes Federally related mortgage loans.

Making the required breakout of loan data by census tract involves knowledge of related census tracts as well as the location of the property securing the loan (or being improved, in the case of home improvements loans). Accordingly, census tract maps are vital sources of information for classifying loan data. These census tract maps are in the series formally titled "1970 Census of Population and Housing: CENSUS TRACTS, Final Reports, PHC(1) Series" prepared by the Bureau of Census, U.S. Department of Commerce.

Although these reports or more detailed census block maps are available from the U.S. Government Printing Office, we have been advised that the Bureau of Census is a readily available source. There are also commercial firms that produce related material and at least one that publishes an atlas covering census tracts in all SMSAs.

In a limited number of instances ZIP codes may be used (for reporting purposes) in lieu of census tracts. As discussed in Section 203.4(a)(2), ZIP codes may be used for all breakouts of loan data for calendar year 1975. In subsequent years they may be used when the residential real property involved is located in an SMSA for which PHC(1) tract maps have not been prepared or by credit unions which are making their initial report following loss of their exempt status.

For the purpose of compiling data required by this annual report, the credit union may presume (on loans originated prior to June 28, 1976, or loans *purchased* at any time) that the borrower was also the occupant, unless the file contains information to the contrary.

Where a loan is refinanced by the same borrower without increasing the outstanding balance, such mortgage loan data is to be excluded in preparing this annual report. Also certain mortgage loan data *may* be excluded from the compilations for 1975 as indicated in Section 203.4(a)(4)(ii).

Data relating to loans purchased may be more difficult to obtain, but it must nonetheless be included where credit unions have invested in loans which were secured by real property or were for the purpose of financing specified home improvements. Reportable loans purchased from liquidating credit unions would apparently fall into this category.

The Form HMDA-1 asks for the name and address of the "Federal Enforcement Agency for this Institution". All credit unions which are required to report should show the following in that space: National Credit Union Administration, Washington, D.C. 20456.

ii. When are They Due?

Credit unions which are subject to Regulation C must make mortgage loan disclosure statements available to the public within 90 days of the end of their fiscal year, at least through June 28, 1980.

Credit unions which have been exempt from Regulation C but subsequently become subject to it must make the disclosures required by Regulation C in accordance with the following guidelines:

(a) Any credit union which loses its exemption because of a redefinition of an SMSA or because the applicable State disclosure law is not considered sufficient (this applies to State chartered credit unions only) must disclose the required data for the fiscal year immediately preceding the fiscal year during which the exemption was lost. For example, a credit union having a calendar fiscal year that ceases to be exempt during 1977, for either of the above two reasons, would have to disclose 1976 data.

(b) Any credit union which loses its exemption because its assets exceeded $10 million on the final day of its last fiscal year, must disclose applicable data for that fiscal year. For example, a credit union which has assets of more than $10 million on December 31, 1977, must disclose applicable 1977 loan information.

In the above two instances, the mortgage loan disclosure statements must be made available within 90 days after the condition which caused loss of the exemption occurred.

iii. How Long Must They be Retained?

Mortgage loan disclosure statements must be made available for inspection by interested parties for 5 years from the end of fiscal year in which the report was prepared.

iv. Where Must They be Made Available?

The disclosure statements must be available to the public at the credit union's main office and certain branch offices, if any, as specified in Section 203.5(b)(1) of Regulation C. If the credit union's office(s) are *not* accessible to the general public, the reports must be made available to anyone requesting a copy, either at a conveniently located alternate location (see Section 203.5(b)(2), *or* by mail. In the event the information is mailed to the interested party, the credit union may impose no more than a reasonable charge for the cost of reproduction of the report.

2. ANNUAL NOTIFICATION OF SHAREHOLDERS

Affected credit unions must make an "appropriate effort" at least once each year to advise "depositors" of the availability of the above disclosure reports. While "depositors" are not defined by the Regulation, they should be considered to include shareholders (members and non-members) and holders of Certificates of Indebtedness. "Appropriate efforts" would include *any one* of the following: inserting a notice with a quarterly statement, posting a notice in the lobbies of *all* offices in SMSAs for 1 month out of the year *or* publishing a notice in a newspaper (or newspapers) of general circulation in the SMSAs in which such offices are located.

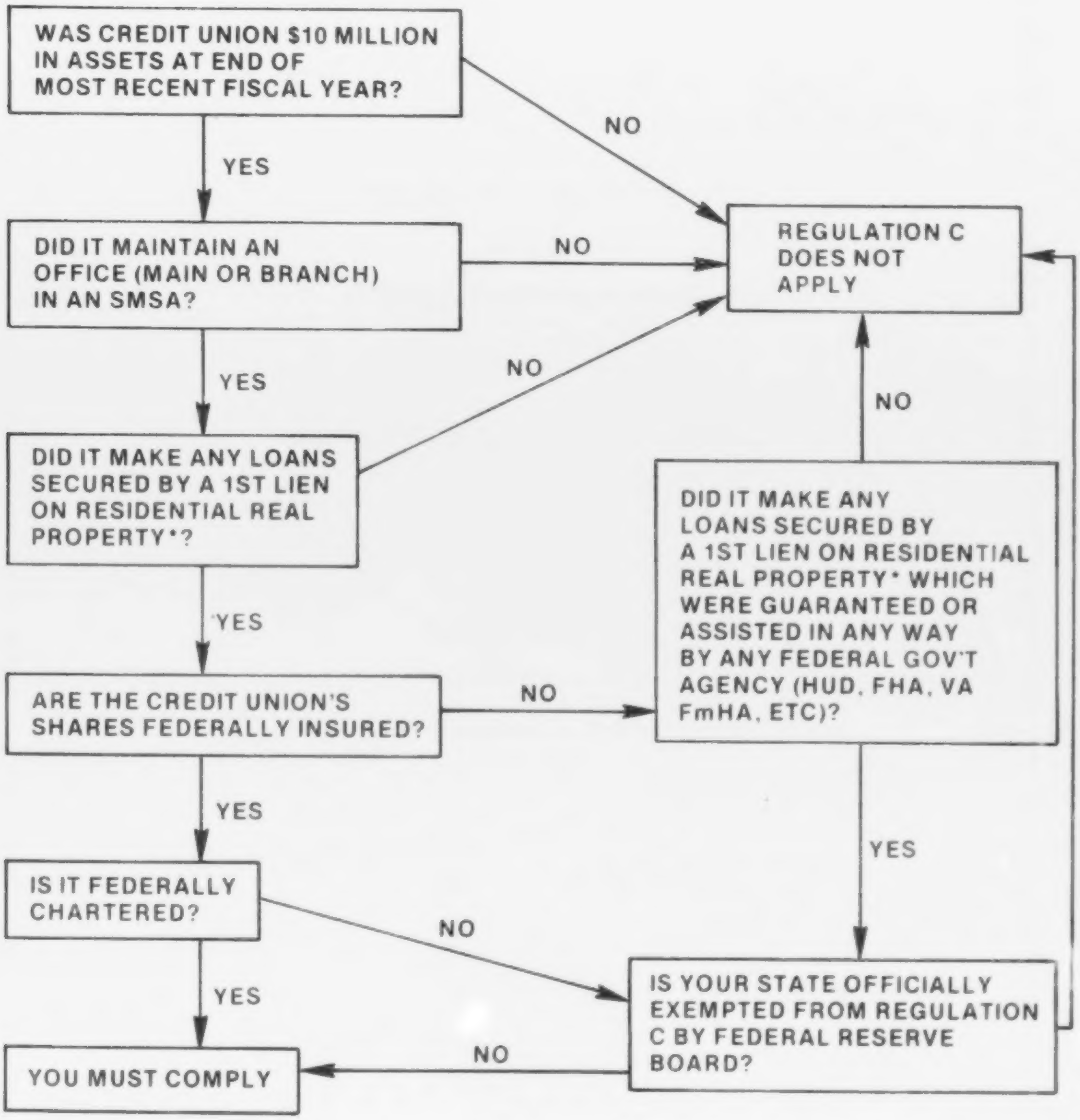
F. QUESTIONS AND EXPLANATIONS TO HELP YOU DETERMINE WHETHER YOUR CREDIT UNION IS IN COMPLIANCE

Answering the following questions should provide you with a good indication as to whether your credit union is in compliance with Regulation C.

If the answers to questions 1 or either part of 2 are "no", Regulation C does not apply and you need not answer the other questions. If the answer is "yes" to questions 3, 4, and 6, and "no" to question 5, your credit union is complying with Regulation C. If you determine that your credit union is not in compliance, you should make the necessary corrections as soon as possible.

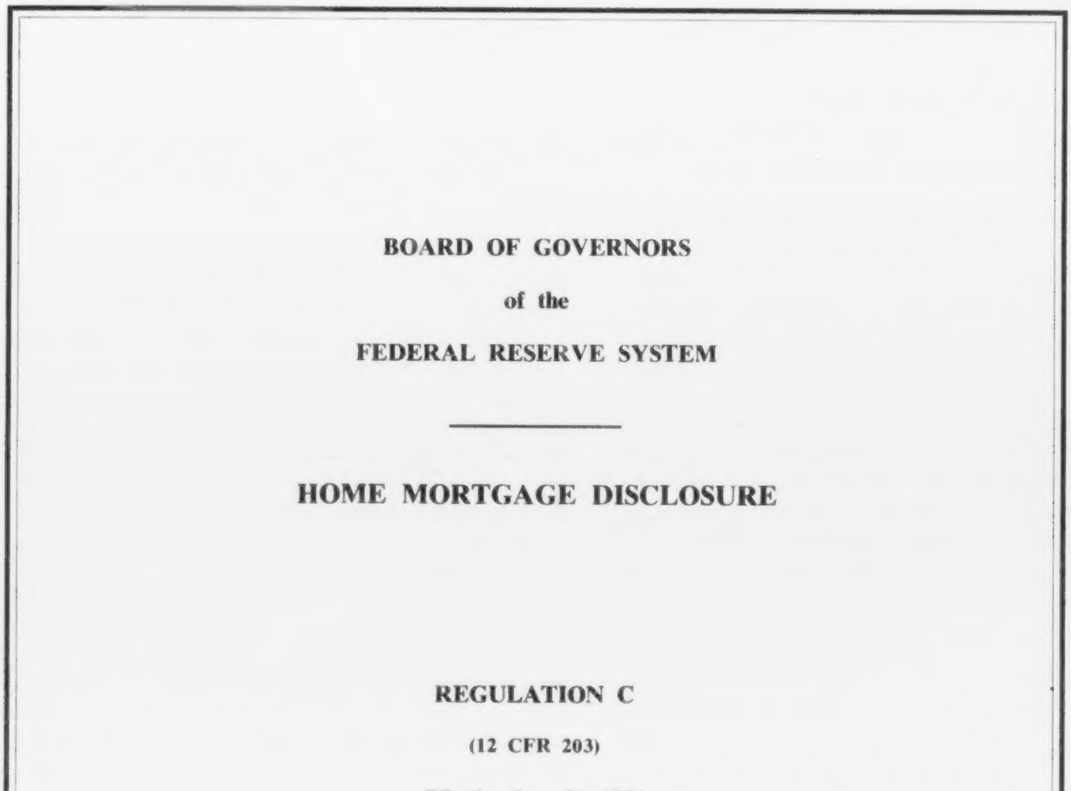
QUESTIONS	EXPLANATIONS
1. Did the credit union make or purchase one or more first mortgage residential real estate loans in the preceding calendar year? (If no, STOP.)	1. Self Explanatory.
2. Was the credit union over $10 million in assets, and did it maintain its main office in a Standard Metropolitan Statistical Area as of the end of the preceding calendar year or this calendar year? (Mark "No" if the answer to either part is no. If no, STOP.)	2. A complete list of all SMSA's was enclosed with the Administrator's letter of July 13, 1976, to the board of directors of all FCUs. If a FCU reaches $10 million in assets as of December 31st it must report loan data for that full calendar year. If it loses its reporting exemption under sections 203.3(a)(2) or (3) it must report loan data for the year in which the change takes place and the prior year. See FRB Interpretation 203.002.
3. Has the credit union prepared **and** (in accordance with Section 203.5(b)) made available for inspection by interested parties copies of the HMDA-1 Mortgage Loan Disclosure Statements for each calendar year in which it met the above requirements beginning with 1975? (Mark "No" if the answer to either part is no.)	3. Reports must be: a) prepared for all calendar years in which FCU met the requirements in items 1 and 2. b) completed by the required deadlines, which are 9/30/76 for 1975 and 3/31 for each calendar year thereafter (other than possible exception in 203.4(a)(2)(99)), and c) made available (for 5 years) for inspection by interested parties at FCU's main office (or other alternatives permitted under Section 203.5(b)).
4. Has the data on these statements been broken down by census tracts or (when applicable) by ZIP codes, **and** are the numbers and amounts of loans granted or purchased properly reported? (Mark "No" if the answer to any part is no.)	4. Self explanatory except to note that: a) unless census tracks are not shown on the official 1970 Census Tract maps, ZIP codes may be used only for 1975 and (if separate semiannual reports are made) the first half of 1976, and these must be preceded by a Z on the report. b) instructions for completing the report may be found on page 2 of the HMDA-1 form (also, if the various columns were numbered numerically, column 4 would always be the total of columns 2 and 3, and items in column 7 would also be included in columns 4, 5, and 6). c) home improvement loans required to be reported are only those (secured or not) which clearly result in increasing the value of the applicant's home. d) data is required to be broken out of census tract/ZIP code only for the SMSA in which the FCU's main office is located (i.e., the relevant SMSA).
5. Does the data reported on the statements indicate the possible existence of the practice of redlining?	5. This is a subjective question, the answer to which will in part be dependent upon the examiner's familiarity with the FOM and the locality. Knowledge or rejection patterns, of course, is needed for a more conclusive evaluation.
6. Has the credit union made an "appropriate effort" (as defined in Section 203.5(b)(3)) at least annually to notify shareholders of the existence of these reports?	6. Appropriate include any one of the following: a) insert a notice with the quarterly statements, or b) post a notice in the credit union office for at least one month, or c) publish a notice in a local newspaper of general circulation.

G. HOW TO DETERMINE WHETHER YOUR CREDIT UNION MUST COMPLY WITH REGULATION C


WAS CREDIT UNION $10 MILLION IN ASSETS AT END OF MOST RECENT FISCAL YEAR?
NO
YES
REGULATION C DOES NOT APPLY
DID IT MAINTAIN AN OFFICE (MAIN OR BRANCH) IN AN SMSA?
NO
YES
NO
NO
YES
DID IT MAKE ANY LOANS SECURED BY A 1ST LIEN ON RESIDENTIAL REAL PROPERTY*?
DID IT MAKE ANY LOANS SECURED BY A 1ST LIEN ON RESIDENTIAL REAL PROPERTY* WHICH WERE GUARANTEED OR ASSISTED IN ANY WAY BY ANY FEDERAL GOV'T AGENCY (HUD, FHA, VA FmHA, ETC)?
YES
ARE THE CREDIT UNION'S SHARES FEDERALLY INSURED?
NO
YES
YES
IS IT FEDERALLY CHARTERED?
NO
YES
IS YOUR STATE OFFICIALLY EXEMPTED FROM REGULATION C BY FEDERAL RESERVE BOARD?
NO
YOU MUST COMPLY

*DESIGNED PRINCIPALLY FOR OCCUPANCY OF 1 TO 4 FAMILIES

Appendix A



BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM

HOME MORTGAGE DISCLOSURE

REGULATION C

(12 CFR 203)

Effective June 28, 1976

PART 703 — HOME MORTGAGE DISCLOSURE INTERPRETATIONS

203.001: TREATMENT OF MAJORITY-OWNED DEPOSITORY SUBSIDIARIES OF DEPOSITORY INSTITUTIONS

The Board has been asked whether a majority-owned, depository subsidiary of a depository institution should be treated in the same way as a non-depository subsidiary. The first sentence of §203.2(c) defines a depository institution as "any commercial bank, savings bank, savings and loan association, building and loan association, homestead association (including cooperative banks), or credit union, which makes federally related mortgage loans." The second sentence deals with subsidiaries: "Any majority-owned subsidiary of a depository institution shall be deemed to be part of its parent depository institution for the purpose of this part." The purpose of the subsidiary provision is to provide a more complete picture of a parent's lending patterns by including information regarding the lending activities of any non-depository, majority-owned subsidiary.

A few depository institutions, however, have majority-owned subsidiaries that are themselves depository institutions. This raises the issue of how a depository institution as defined in the first part of §203.2 (c), which is also a majority-owned subsidiary of a depository institution, should be treated for Regulation C disclosure purposes. If, absent the second part of §203.2 (c), the depository subsidiary otherwise would make separate disclosures under Regulation C, then combining the subsidiary's loan data with the parent's into a single statement would reduce public disclosure, contrary to the intent of §203.2 (c) and the purpose of the Home Mortgage Disclosure Act.

Therefore, to further the intent of the act and the regulation, a parent depository institution may draw a distinction for disclosure purposes between depository and non-depository, majority-owned subsidiaries. A majority-owned, non-depository subsidiary of a depository institution should be treated as an integral part of its parent, with no distinction made between them for reporting purposes, in accordance with the second sentence of §203.2 (c). On the other hand, at the parent's option, a majority-owned, depository subsidiary of a depository institution may be treated as a distinct, unaffiliated entity since it is a depository institution as defined in the first sentence of §203.2 (c).

203.002: DISCLOSURE AFTER LOSS OF EXEMPTION

The Board has been requested to clarify the Regulation C disclosure requirements that apply to a depository institution that ceases to be exempt from the Home Mortgage Disclosure Act.

Section 203.3 (a) of Regulation C describes the three classes of depository institutions that are exempt from the regulation's disclosure requirements. They are: (1) Institutions that have assets of $10,000,000 or less as of the last day of their fiscal year: (2) institutions that do not have an office in a standard metropolitan statistical area; and (3) State-chartered institutions that are subject to a State disclosure law that the Board has determined imposes substantially similar requirements to those mandated by the Home Mortgage Disclosure Act.

Section 203.3 (b) sets forth the initial disclosure requirements applicable to an exempt institution that subsequently loses its exemption. It states:

> A depository institution that was exempt on or after the effective date of this Part on the basis of paragraph (a) of this section and that subsequently becomes no longer exempt shall compile the data described in §203.4 of this part for each fiscal year beginning with its last full fiscal year ending prior to the date it was no longer exempt, and that last full fiscal year shall be deemed to be a "full fiscal year ending prior to July 1, 1976" for the purposes of §203.4 of this Part.

The first point on which clarification has been sought is the meaning of the language "last full fiscal year ending prior to the date it was no longer exempt * * *." For any depository institution that loses its exemption under §203.3 (a) (2) because of the redefinition of a standard metropolitan statistical area or loses its exemption under §203.3 (a) (3) because applicable State disclosure law is found not to be substantially similar to the Federal act, "its last full fiscal year ending prior to the date it was no longer exempt" is its fiscal year immediately preceding the fiscal year during which the exemption was lost. For example, a depository institution having a calendar fiscal year that ceases to be exempt during 1977 would have to disclose relevant 1976 data.

For any depository institution that loses its exemption under §203.3 (a) (1) because its assets exceeded $10,000,000 on the final day of its last fiscal year, the period to be covered by its initial disclosure statement is that last fiscal year. For example, a calendar fiscal year institution that has assets of more than $10,000,000 on December 31, 1977 would have to disclose relevant 1977 loan information.

The Board also has been asked to explain the significance of the phrase " 'full fiscal year ending prior to July 1, 1976 * * *.' " The purpose in §203.3 (b) of equating an institution's "last full fiscal year ending prior to the date it was no longer exempt" with a " 'full fiscal year ending prior to July 1, 1976' " is to make available to an institution that loses its exemption the same disclosure options that were available to institutions when Regulation C became effective. Thus for the purposes of §203.4, a depository institution that ceases to be exempt may compile the necessary mortgage and home improvement loan data by United States Postal Service ZIP codes, in lieu of Census Bureau census tracts, for its last full fiscal year and any portion of its current fiscal year ending prior to the loss of exemption. In addition, such an institution may exercise the options and rely on the presumption contained in paragraphs (a) (4) (ii) and (c) of §203.4 as if it had lost its exemption and become subject to the regulation on July 1, 1976.

The following examples illustrate the points made in this interpretation. Assume that a depository institution having a calendar fiscal year ceases to be exempt under §203.3 (a) (2) on April 1, 1977, because of the enlargement of a standard metropolitan statistical area to include a county in which the institution has an office. Pursuant to §203.5 (a) (1) (iii), that institution would be required to prepare and make available publicly a disclosure statement by June 29, 1977, ninety days after its loss of exemption.

Under §203.3 (b), the disclosure statement would have to cover the institution's "last full fiscal year ending prior to the date it was no longer exempt," which, as indicated previously, would be 1976. Pursuant to §203.4 (a) (2) (i), read in view of §203.3 (b), the institution could compile the necessary loan information for 1976 by ZIP code if it chose.

Also, under §203.4 (a) (2) (ii), it could elect to issue a separate disclosure statement, compiled on a IP-code basis, for the first three months of its current fiscal year — January, February, March 1977, if it also made that statement available on June 29, 1977. If it chose that option, then it would report on its relevant lending activities for the remainder of 1977 by census tract on March 31, 1978. The alternative to this latter option would be for the institution to report on all of its relevant lending activities during 1977 by census tract on March 31, 1978. Finally, the institution may exercies the reporting options and rely on the residence presumption set forth in §§203.4 (a) (4) (ii) and 203.4 (c) for its 1976 disclosure statement and the January through March 1977 statement if that option is chosen.

The second example assumes that a depository institution having a calendar fiscal year ceases to be exempt under §203.3 (a) (1) because its assets exceed $10,000,000 as of December 31, 1977. Pursuant to the applicable provisions of the regulation as outlined in the preceding example, the institution would have to prepare a disclosure statement by March 31, 1978, covering its relevant lending activities during 1977 on a ZIP-code basis. Since the loss of exemption would not have occurred during the course of its fiscal year, no partial fiscal year report would be possible. The options and presumption contained in §§203.4 (a) (4) (ii) and 203.4 (c) respectively could be used, however, in preparing the 1977 disclosure statement.

By order of the Board of Governors March 28, 1977.

Theodore E. Allison,
Secretary of the Board.

[FR Doc.77-10618 Filed 4—11—77; 8:45 am]

A depository institution that was exempt on or after the effective date of this Part on the basis of paragraph [a] of this section

A depository institution that was exempt on or after the effective date of this Part on the basis of paragraph (a) of this section and that subsequently becomes no longer exempt shall compile the data described in §203.4 of this Part for each fiscal year beginning with its last full fiscal year ending prior to the date it was no longer exempt, and that last full fiscal year shall be deemed to be a "full fiscal year ending prior to July 1, 1976" for the purposes of §203.4 of this Part.

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REGULATION C

(12 CFR 203)

Effective June 28, 1976

HOME MORTGAGE DISCLOSURE

SECTION 203.1—AUTHORITY, SCOPE, AND ENFORCEMENT

(a) **Authority and scope.** This Part comprises the regulations issued by the Board of Governors of the Federal Reserve System pursuant to the Home Mortgage Disclosure Act of 1975 (Title III of Pub. L. 94–200; 89 Stat. 1125 *et seq.*). This Part applies to depository institutions which make federally related mortgage loans. Nothing in the Act or this Part is intended to, nor shall it be construed to, encourage unsound lending practices or the allocation of credit.

(b) **Administrative enforcement.** As set forth more fully in sections 305 and 306 of the Act, compliance with the provisions of the Act and this Part shall be enforced by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), and the Administrator of the National Credit Union Administration.

SECTION 203.2—DEFINITIONS

For the purposes of this Part, the following definitions apply unless the context indicates otherwise:

(a) **Act** means the Home Mortgage Disclosure Act of 1975 (Title III of Pub. L. 94–200; 89 Stat. 1125 *et seq.*).

(b) **Branch office** means any office approved as a branch of the depository institution by that depository institution's Federal or State supervisory agency.

(c) **Depository institution** means any commercial bank, savings bank, savings and loan association, building and loan association, homestead association (including cooperative banks), or credit union, which makes federally related mortgage loans. Any majority-owned subsidiary of a depository institution shall be deemed to be part of its parent depository institution for the purposes of this Part.

(d) **Federally related mortgage loan** means any loan (other than temporary financing such as a construction loan) which (i) is secured by a first lien on residential real property (including individual units of condominiums and cooperatives) that is designed principally for the occupancy of from one to four families and is located in a State; and (ii)(A) is made in whole or in part by a depository institution the deposits or accounts of which are insured by any agency of the Federal Government, or is made in whole or in part by a depository institution which is regulated by any agency of the Federal Government; or (B) is made in whole or in part, or insured, guaranteed, supplemented, or assisted in any way, by the Secretary of Housing and Urban Development or any other officer or agency of the Federal Government or under or in connection with a housing or urban development program administered by any other such officer or agency; or (iii) is intended to be sold by the depository institution that originates the loan to the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, or a financial institution from which it is to be purchased by the Federal Home Loan Mortgage Corporation.

(e) **FHA, FmHA, or VA loans** means mortgage loans which are insured under Title II of the National Housing Act or under Title V of the Housing Act of 1949 or which are guaranteed under Chapter 37 of Title 38, United States Code.

(f) **Home improvement loan** means a loan, unsecured or secured by collateral other than a first lien on residential real property, (i) the proceeds of which are to be used for the purpose of repairing, rehabilitating, or remodeling an existing residential dwelling located in a State as stated by the borrower to the lender at the time of the loan transaction, and (ii) that is recorded on the books of the depository institution as a home improvement loan.

(g) **Mortgage loan** means a "residential mortgage loan" as defined in paragraph (h) of this section or a "home improvement loan" as defined in paragraph (f) of this section.

(h) **Residential mortgage loan** means a loan which is secured by a first lien on residential real property located in a State, including a first lien refinancing of an existing loan, but shall not include (i) temporary financing (such as a construction loan), or (ii) purchase of an interest in a pool of mortgage loans (such as mortgage participation certificates issued or guaranteed by the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, or the Farmers Home Administration), or (iii) a loan made primarily for business or consumer purposes (other than to purchase, repair, rehabilitate or remodel residential real property) but in connection with which a first lien on residential real property is taken as collateral.

(i) **Residential real property** means improved real property used or to be used for residential purposes, including single-family homes, dwellings for from two to four families, multi-family dwellings, and individual units of condominiums and cooperatives.

(j) **State** means any State of the United States of America, the District of Columbia, and the Commonwealth of Puerto Rico.

SECTION 203.3—EXEMPTIONS

(a) The following categories of depository institutions are exempt from the compilation of data and disclosure requirements of sections 203.4 and 203.5 of this Part:

(1) any depository institution that has total assets as of the last day of its last full fiscal year of $10,000,000 or less; or

(2) any depository institution that has neither a home office nor any branch office located in a standard metropolitan statistical area (SMSA) as currently defined by the Office of Management and Budget of the United States Government; or

(3) any State-chartered depository institution subject to the mortgage loan disclosure laws (statutes or regulations) of a State or subdivision thereof that the Board determines, in accordance with the procedures set forth in the Supplement to this Part, contain (i) requirements substantially similar to those imposed under the Act, and (ii) adequate provisions for enforcement.

(b) A depository institution that was exempt on or after the effective date of this Part on the basis of paragraph (a) of this section and that subsequently becomes no longer exempt shall compile the data described in section 203.4 of this Part for each fiscal year beginning with its last full fiscal year ending prior to the date it was no longer exempt, and that last full fiscal year shall be deemed to be a "full fiscal year ending prior to July 1, 1976" for the purposes of section 203.4 of this Part.

SECTION 203.4—COMPILATION OF MORTGAGE LOAN DATA

(a) **Data to be included.** (1) Each depository institution shall aggregate, separately for each standard metropolitan statistical area (SMSA) in which it has a home office or branch office, its mortgage loan data for each fiscal year beginning with its last full fiscal year ending prior to July 1, 1976, with the exception of mortgage loans described in subsection (4) of this paragraph. Mortgage loan data relating to residential real property located within the relevant SMSA (i.e., the SMSA where a home or branch office is located) shall be segregated from mortgage loan data relating to residential real property located outside the relevant SMSA and shall be itemized by the census tract in which the principal residential real property securing the residential mortgage loan (or, in the case of home improvement loans, the property to be improved) is located (except as provided in subsection (2) of this paragraph) according to the following classifications in a format similar to guideline Form HMDA-1, which is set forth in the appendix to this Part:

(i) FHA, FmHA, or VA loans, except on multi-family dwellings (i.e., dwellings for more than four families), subdivided as to those loans (A) originated and (B) purchased by the depository institution, during that fiscal year;

(ii) residential mortgage loans other than FHA, FmHA, or VA loans and other than loans on multi-family dwellings, subdivided as to those loans (A) originated and (B) purchased by the depository institution, during that fiscal year;

(iii) all residential mortgage loans, except on multi-family dwellings, (i.e., sum of classifications (i) and (ii)), subdivided as to those loans (A) originated and (B) purchased by the depository institution, during that fiscal year;

(iv) home improvement loans, except on multi-family dwellings, subdivided as to those loans (A) originated and (B) purchased by the depository institution, during that fiscal year;

(v) all mortgage loans (home improvement loans and residential mortgage loans) on multi-family dwellings, subdivided as to those loans (A) originated and (B) purchased by the depository institution, during that fiscal year; and

(vi) all mortgage loans (home improvement loans and residential mortgage loans), except on multi-family dwellings, made to any borrower who did not, at the time of the loan transaction, intend to reside as his principal dwelling in the property securing the residential mortgage loan (or, in the case of home improvement loans, the property to be improved), subdivided as to those loans (A) originated and (B) purchased by the depository institution, during that fiscal year.

Classifications (i) through (v) include loans to both occupants and non-occupants of the property. Mortgage loan data relating to residential real property located outside the relevant SMSA (or relevant SMSA's in the case of a depository institution with home or branch offices in more than one SMSA) shall also be itemized according to classifications (i) through (v) set forth above, but further itemization of that data by census tracts or United States Postal Service ZIP codes is not required.

(2) Mortgage loan data relating to residential real property located within the relevant SMSA may be itemized, according to the classifications specified in subsection (1) of this paragraph, by United States Postal Service ZIP codes for the area in which the principal residential real property securing the residential mortgage loan (or, in the case of home improvement loans, the property to be improved) is located, in lieu of census tracts, to the extent that such data relate to:

(i) a full fiscal year ending prior to July 1, 1976; or

(ii) a part of a fiscal year if that part ends on June 30, 1976, provided that a mortgage loan disclosure statement for that part of the fiscal year is made available by the depository institution by September 30, 1976, and a separate mortgage loan disclosure statement for the remaining part of that fiscal year (itemizing mortgage loan data relating to residential real property within the relevant SMSA by census tracts) is made available by the depository institution within ninety days of the end of that fiscal year; or

(iii) residential real property located in an area of a currently defined relevant SMSA that is not tracted on the maps (as a portion of then-defined SMSA's or otherwise) in the series "1970 Census of Population and Housing: CENSUS TRACTS, Final Reports, PHC(1) Series" prepared by the Bureau of the Census of the United States Department of Commerce.

(3) Mortgage loan data to be compiled as described in this paragraph shall be in terms of number of loans and total dollar amounts (original principal amounts of loans originated by the institution to the extent of its interest, where the loan is made jointly or cooperatively, and unpaid principal balances of loans purchased by the depository institution, to the extent of its interest in such purchased loans), except that, in the case of purchased home improvement loans, the amount to be reported may include the unpaid finance charges. The compilations shall be on an annual basis and relate to mortgage loans originated or purchased solely during the relevant fiscal year.

(4) (i) A depository institution shall not include in its mortgage loan data to be compiled pursuant to paragraph (a) of this section:

(A) a refinancing that it originates involving no increase in the outstanding balance of the principal due on the existing loan where the depository institution and the borrower are the same parties to the existing loan and the refinancing; and

(B) a loan originated or purchased by the depository institution acting as trustee or in some other fiduciary capacity.

(ii) For the purpose of compiling mortgage loan data pursuant to paragraph (a) of this section with respect to a full fiscal year ending prior to July 1, 1976, a depository institution may – –

(A) notwithstanding the definition contained in section 203.2(f) of this Part, itemize as home improvement loans those loans that it has classified as home improvement loans for the purposes of State law, provided that no loans secured by first liens on residential real property shall be included as home improvement loans in the mortgage loan disclosure statement and reference is made in the disclosure statement to the State law definition of home improvement loan that is being utilized; or

(B) omit, at its option, any mortgage loan that was (1) both originated and either sold or paid in full during such fiscal year, or (2) both purchased and either sold or paid in full during such fiscal year, provided that the depository institution consistently applies this option with respect to all loans in those categories and clearly states in its mortgage loan disclosure statement for that year that such data have been omitted.

(b) **Applicable SMSA's, census tracts and ZIP codes.** (1) For the purpose of determining whether a mortgage loan is to be included in the classifications relating to residential real property within the relevant SMSA as described in paragraph (a) of this section (but not for the purpose of determining exemptions pursuant to section 203.3(a)(2) of this Part), the applicable areas of the relevant SMSA shall be those as defined by the Office of Management and Budget of the United States Government and in effect on June 28, 1976, or the first day of the fiscal year to which the mortgage loan disclosure statement relates, whichever is the later date.

(2) Applicable census tract numbers and boundaries shall be those appearing on the census tract maps in the series "1970 Census of Population and Housing: CENSUS TRACTS, Final Reports, PHC(1) Series" prepared by the Bureau of the Census, United States Department of Commerce. If the number itself would be duplicated in the mortgage loan disclosure statement for the relevant SMSA, the county, city, or town that uniquely identifies the census tract shall be identified in that disclosure statement.

(3) An applicable ZIP code shall be that for the area in which the principal residential real property securing the residential mortgage loan (or, in the case of home improvement loans, the property to be improved) is located. No depository institution is obligated to revise its mortgage loan data to reflect official changes of ZIP code numbers or boundaries made after the ZIP code for a particular loan is recorded.

(4) Nothing contained in this paragraph is intended to prohibit the use of maps, directories, computer programs, or the like that have more recent definitions of the applicable SMSA areas than those specified in subsection (1) of this paragraph, provided that every mortgage loan relating to residential real property within the applicable areas of the relevant SMSA as specified in subsection (1) of this paragraph or within the areas of the relevant SMSA as more recently defined shall be included in the data to be itemized by census tracts or ZIP codes as required by paragraph (a) of this section. If such updated revisions are utilized, the mortgage loan disclosure statement shall indicate the source of the revision.

(c) **Applicable presumption.** For the purpose of compiling mortgage loan data described in paragraph (a) of this section, a depository institution may presume (unless its records relating to that loan contain information to the contrary) with respect to any mortgage loan originated prior to June 28, 1976, or purchased at any time, that the borrower intended, at the time of the loan transaction, to reside as his principal dwelling in the property securing the residential mortgage loan (or, in the case of home improvement loans, the property to be improved), if such property is a residential dwelling used or to be used by from one to four families.

SECTION 203.5—DISCLOSURE REQUIREMENTS

(a) **Dates disclosure statements due.** (1) Each depository institution shall make available to the public by the following dates mortgage loan disclosure statements required to be compiled pursuant to section 203.4 of this Part:

(i) September 30, 1976, in the case of a disclosure statement relating to a full fiscal year ending prior to July 1, 1976, except as provided in subsection (2) of this paragraph;

(ii) within ninety days of the end of the relevant fiscal year in the case of a disclosure statement that relates to a full fiscal year ending subsequent to June 30, 1976; and

(iii) within ninety days of the date a depository institution becomes no longer exempt in the case of the initial disclosure statement required pursuant to section 203.3(b) of this Part.

(2) If an application for an exemption is filed by September 30, 1976, pursuant to section 203.3(a)(3) of this Part, a State-chartered depository institution subject to the mortgage disclosure laws of a State or subdivision thereof being considered in the application shall not be required to compile and make available to the public a mortgage loan disclosure statement relating to a full fiscal year ending prior to July 1, 1976, while the application is pending before the Board. If the State-chartered depository institution is not granted an exemption by the Board's determination on the application, that depository institution shall make the disclosure statement for that fiscal year available within sixty days of the date of the Board's determination.

(3) Any mortgage loan disclosure statement required to be made available shall be maintained and made available for a period of five years after the close of the first fiscal year during which that disclosure statement is required to be maintained and made available.

(b) **Offices at which disclosure statements to be made available.** (1) Except as provided in subsection (2) of this paragraph, each depository institution shall make available to the public disclosure statements required to be compiled pursuant to section 203.4 of this Part, by the dates specified in paragraph (a) of this section, at its home or branch offices, as follows:

(i) in the case of depository institutions that have home or branch offices in only one SMSA, the entire mortgage loan disclosure statement shall be made available at the home office and at least at one branch office (if there is such a branch office) within that SMSA; and

(ii) in the case of depository institutions that have home and branch offices in more than one SMSA, (A) the entire mortgage loan disclosure statement (relating to all SMSA's with respect to which the depository institution is required to compile mortgage loan data) shall be made available at the home office and (B) the entire mortgage loan disclosure statement shall also be made available at least at one branch office within every SMSA where the depository institution has branch offices (including the SMSA where the home office is located), except that the disclosure statement at a particular branch office need not include census tract or ZIP code itemizations with respect to relevant SMSA's other than the SMSA in which the particular branch office is located provided that aggregated data from the disclosure statement with respect to each of those other relevant SMSA's (i.e., the column totals of Section I of the appendix to this Part) are furnished.

(2) Any depository institution all of whose offices (home and branch) are located where there is no general public access shall make available mortgage loan disclosure statements required to be compiled pursuant to section 203.4 of this Part, by the dates specified in paragraph (a) of this section, in either of the following ways:

(i) it shall designate a place convenient and accessible to the public within the SMSA of its home office where the entire mortgage loan disclosure statement (relating to all SMSA's with respect to which it is required to compile mortgage loan data) will be available at reasonable times, and shall designate a convenient and accessible place within every other SMSA where it has a branch office, at which designated place will also be made available the entire mortgage loan disclosure statement except for the omission, at the option of the depository institution, of census tract or ZIP code itemizations with respect to relevant SMSA's other than the SMSA where the particular branch is located provided that aggregated data from the disclosure statement with respect to each of those other relevant SMSA's (i.e., the column totals of Section I of the appendix to this Part) are furnished; or

(ii) it shall promptly furnish by mail to anyone requesting the information a copy of a required mortgage loan disclosure statement, imposing no more than a reasonable charge for the cost of reproduction of the data.

(3) A depository institution shall make appropriate efforts at least once each year to notify its depositors of the availability of its mortgage loan data, such as by (i) inserting a notice in a periodic account statement or other communication to depositors, (ii) posting a notice in the lobbies of its home and branch offices located in SMSA's for at least one month, or (iii) publishing a notice in a newspaper or newspapers of general circulation in the SMSA's in which its home and branch offices are located.

(4) Upon request, any office of a depository institution shall promptly provide information regarding the location of any office or designated place of that depository institution at which mortgage loan disclosure statements are available.

(c) **Manner of making disclosure statements available.** Each office or designated place of a depository institution that is required pursuant to paragraph (b) of this section to make a mortgage loan disclosure statement available shall make such a mortgage loan disclosure statement available to anyone requesting it for inspection or copying during the hours in which such office or designated place is normally open to the public for business. If a depository institution makes reproduction facilities available, it may impose a reasonable charge for the cost of reproduction of the data.

SECTION 203.6—SANCTIONS FOR VIOLATIONS

(a) A violation of the Act or this Part is subject to sanctions as provided in section 305 of the Act.

(b) An error in compiling or disclosing required mortgage loan data shall not be deemed to be a violation of the Act or this Part if the error was unintentional and resulted from a *bona fide* mistake notwithstanding the maintenance of procedures reasonably adopted to avoid any such error.

SECTION 203.7—EFFECTIVE DATE

This Part shall be effective on June 28, 1976.

Page 1 of 2
FORM HMDA-1
(Pursuant to Public Law 94–200)

MORTGAGE LOAN DISCLOSURE STATEMENT
(Specimen Form)

Name of Depository Institution ______________________

Relevant SMSA ______________________

Reporting Period ____________

Federal Enforcement Agency for this Institution

Name ______________________

Address ______________________

PART A ORIGINATIONS

Section I Mortgage loan data relating to residential real property located within the relevant SMSA

	Loans to both Occupants and Non-occupants of the Property										Addendum Item	
CENSUS TRACT or ZIP CODE (in numerical sequence)	FHA, FmHA or VA LOANS (except on multi-family dwellings)		OTHER RESIDENTIAL MORTGAGE LOANS ("Conventional") (except on multi-family dwellings)		TOTAL RESIDENTIAL MORTGAGE LOANS (except on multi-family dwellings)		TOTAL HOME IMPROVEMENT LOANS (except on multi-family dwellings)		TOTAL MORTGAGE LOANS ON MULTI-FAMILY DWELLINGS		NON-OCCUPANT LOANS (except on multi-family dwellings)	
	No. of Loans	Principal Amount	No. of Loans	Principal Amount	No. of Loans	Principal Amount	No. of Loans	Principal Amount	No. of Loans	Principal Amount	No. of Loans	Principal Amount
Column Totals												

Section II Mortgage loan data relating to residential real property located outside the relevant SMSA (or SMSA's)

▨											▨	

(See Instructions on p. 10)

Page 2 of 2
FORM HMDA-1

MORTGAGE LOAN DISCLOSURE STATEMENT (cont.)

(Specimen Form)

PART B PURCHASED LOANS

Section I Mortgage loan data relating to residential real property located within the relevant SMSA

CENSUS TRACT or ZIP CODE (in numerical sequence)	Loans to both Occupants and Non-occupants of the Property										Addendum Item	
	FHA, FmHA or VA LOANS (except on multi-family dwellings)		OTHER RESIDENTIAL MORTGAGE LOANS ("Conventional") (except on multi-family dwellings)		TOTAL RESIDENTIAL MORTGAGE LOANS (except on multi-family dwellings)		TOTAL HOME IMPROVEMENT LOANS (except on multi-family dwellings)		TOTAL MORTGAGE LOANS ON MULTI-FAMILY DWELLINGS		NON-OCCUPANT LOANS (except on multi-family dwellings)	
	No. of Loans	Principal Amount	No. of Loans	Principal Amount	No. of Loans	Principal Amount	No. of Loans	Principal Amount	No. of Loans	Principal Amount	No. of Loans	Principal Amount
Column Totals												

Section II Mortgage loan data relating to residential real property located outside the relevant SMSA (or SMSA's)

▨						▨

Instructions:

1. Data may be rounded to nearest thousands of dollars.
2. If more than one SMSA is involved, the relevant SMSA should be indicated next to the tract number or, preferably, separate pages should be used.
3. If the tract number is duplicated within a SMSA, the county, city or town that uniquely identifies the number should be stated next to the number.
4. Whenever a ZIP code number is permitted to be used, it should be preceded by the letter "Z".
5. If the statement is prepared on the basis of the definition of the relevant SMSA that is more recent than that in effect on the first day of the reporting period, so indicate.
6. Census tract numbers are those appearing on the maps in the Bureau of the Census 1970 PHC(1) series, but computer coding is permissible if explained on the statement.
7. "Multi-family dwellings" means residential dwellings for more than four families.
8. The column "Total Residential Mortgage Loans" should equal the sum of the preceding two columns (except for rounding).
9. This statement must be retained and made available for a period of five years from the last day of the reporting period.
10. If census tract itemization is required, the relevant tract maps should be conveniently made available with the statement.

SUPPLEMENT TO PART 203

PROCEDURES FOR AN APPLICATION FOR EXEMPTION PURSUANT TO PARAGRAPH (a)(3) OF SECTION 203.3

(a) **Application.** Any State or subdivision thereof,[1] State-chartered depository institution, or association of State-chartered depository institutions, may make application to the Board pursuant to the terms of this Supplement and the Board's Rules of Procedure (12 CFR 262) for a determination that, under the laws of that State or municipality,[2] a State-chartered depository institution is subject to requirements substantially similar to those imposed by Regulation C (12 CFR 203) and that there is adequate provision for enforcement of such requirements.

(b) **Supporting documents.** The application, which may be made by letter, shall be accompanied by (1) a copy of the full text of the laws of the State or municipality which are claimed by the applicant to impose requirements substantially similar to those imposed by this Regulation; (2) a statement of reasons to support the claim that applicable requirements of the laws of the State or municipality are substantially similar to all requirements imposed under this Regulation including an explanation of reasons as to why any differences are not significant; (3) a copy of the full text of the laws of the State or subdivision thereof which provide for enforcement of the State laws referred to in item (1) of this paragraph; and (4) an undertaking to inform the Board within 30 days of the occurrence of any change in the applicable law or regulations of the State or municipality.

(c) **Public notice of filing.** In connection with any application which has been filed in accordance with the requirements of paragraphs (a) and (b), notice of such filing will be published by the Board in the *Federal Register*, and a copy of such application will be made available for examination by interested persons during business hours at the Board and at the Federal Reserve Bank of each Federal Reserve District in which the applicant is situated. A period of time will be allowed from the date of such publication for the Board to receive written comments from interested persons with respect to that application. Should multiple applications be received with respect to the laws of the same State or municipality, the Board may, in its discretion, (1) consolidate the notice of receipt of all such applications in one *Federal Register* notice, and (2) dispense with publication of the notice of applications received after publication of the notice of an application relating to the laws of the same State or municipality.

(d) **Exemption from requirements.** If the Board determines on the basis of the information before it that under the laws of a State or municipality some or all State-chartered depository institution(s) are subject to requirements substantially similar to those imposed by this Regulation, and that there is adequate provision for enforcement of such requirements, the Board will exempt those State-chartered depository institutions in that State or municipality that are subject to such requirements from the requirements of the Act and the Board's regulations in the following manner: (1) Notice of the exemption will be published in the *Federal Register* and the Board will furnish a copy of such notice to the applicant, to each State or municipal authority responsible for administrative enforcement of the laws of the State or municipality, to the regulatory authorities specified in section 305(b) of the Act, and to each interested person who has participated in the proceeding. (2) The Board will inform the appropriate official of any State or municipality in which State-chartered depository institutions that have received an exemption are located of any subsequent amendments of the Act (including the implementing provisions of this Part and published interpretations of the Board) which might call for amendment of the law, regulations or official interpretations of the State or municipality.

(e) **Revocation of exemption.** (1) The Board reserves the right to revoke any exemption if it at any time determines that the laws of a State or municipality do not in fact impose requirements which are substantially similar to those imposed by this Regulation or that there is not in fact adequate provision for enforcement. (2) Notice of the Board's intention to revoke any exemption previously granted shall be published in the *Federal Register* and shall be transmitted to the appropriate official of the State or municipality.

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[1] Hereinafter referred to as a municipality.

[2] Any reference to the laws of a State or municipality in this Supplement includes a reference to any regulations which implement such laws and official interpretations thereof, and to regulations of a State or municipal agency or department having jurisdiction over a class or classes of depository institutions.

A period of time will be allowed from the date of publication for the Board to receive written comments from interested persons with respect to the proposed revocation. (3) In the event of revocation of such exemption, notice of such revocation shall be published by the Board in the *Federal Register* and a copy of such notice shall also be furnished to the appropriate official of the State or municipality and to regulatory authorities specified in section 305(b) of the Act.

STATUTORY APPENDIX

Title III of Pub. Law 94–200 (approved Dec. 31, 1975); 89 Stat. 1125 *et seq.* 12 U.S.C. 2801–2809.

TITLE III—HOME MORTGAGE DISCLOSURE

Sec.
301. Short Title.
302. Findings and Purposes.
303. Definitions.
304. Maintenance of Records and Public Disclosure.
305. Enforcement.
306. Relation to State Laws.
307. Research and Improved Methods.
308. Study.
309. Effective Date.
310. Termination of Authority.

§ 301. Short Title

This title may be cited as the "Home Mortgage Disclosure Act of 1975."

§ 302. Findings and Purposes

(a) The Congress finds that some depository institutions have sometimes contributed to the decline of certain geographic areas by their failure pursuant to their chartering responsibilities to provide adequate home financing to qualified applicants on reasonable terms and conditions.

(b) The purpose of this title is to provide the citizens and public officials of the United States with sufficient information to enable them to determine whether depository institutions are filling their obligations to serve the housing needs of the communities and neighborhoods in which they are located and to assist public officials in their determination of the distribution of public sector investments in a manner designed to improve the private investment environment.

(c) Nothing in this title is intended to, nor shall it be construed to, encourage unsound lending practices or the allocation of credit.

§ 303. Definitions

For purposes of this title—

(1) the term "mortgage loan" means a loan which is secured by residential real property or a home improvement loan;

(2) the term "depository institution" means any commercial bank, savings bank, savings and loan association, building and loan association, or homestead association (including cooperative banks) or credit union which makes federally related mortgage loans as determined by the Board;

(3) the term "Board" means the Board of Governors of the Federal Reserve System; and

(4) the term "Secretary" means the Secretary of Housing and Urban Development.

§ 304. Maintenance of Records and Public Disclosure

(a)(1) Each depository institution which has a home office or branch office located within a standard metropolitan statistical area, as defined by the Office of Management and Budget shall compile and make available, in accordance with regulations of the Board, to the public for inspection and copying at the home office, and at at least one branch office within each standard metropolitan statistical area in which the depository institution has an office the number and total dollar amount of mortgage loans which were (A) originated, or (B) purchased by that institution during each fiscal year (beginning with the last full fiscal year of that institution which immediately preceded the effective date of this title).

(2) The information required to be maintained and made available under paragraph (1) shall also be itemized in order to clearly and conspicuously disclose the following:

(A) The number and dollar amount for each item referred to in paragraph (1), by census tracts, where readily available at a reasonable cost, as determined by the Board, otherwise by ZIP code, for borrowers, under mortgage loans secured by property located within that standard metropolitan statistical area.

(B) The number and dollar amount for each item referred to in paragraph (1) for all such mortgage loans which are secured by property located outside that standard metropolitan statistical area. For the purpose of this paragraph, a depository institution which maintains offices in more than one standard metropolitan statistical area shall be required to make the information required by this paragraph available at any such office only to the extent that such information relates to mortgage loans which were originated or purchased by an office of that depository institution located in the standard metropolitan statistical area in which the office making such information available is located.

(b) Any item of information relating to mortgage loans required to be maintained under subsection (a) shall be further itemized in order to disclose for each such item—

(1) the number and dollar amount of mortgage loans which are insured under title II of the National Housing Act or under title V of the Housing Act of 1949 or which are guaranteed under chapter 37 of title 38, United States Code;

(2) the number and dollar amount of mortgage loans made to mortgagors who did not, at the time of execution of the mortgage, intend to reside in the property securing the mortgage loan; and

(3) the number and dollar amount of home improvement loans.

(c) Any information required to be compiled and made available under this section shall be maintained and made available for a period of five years after the close of the first year during which such information is required to be maintained and made available.

§ 305. Enforcement

(a) The Board shall prescribe such regulations as may be necessary to carry out the purposes of this title. These regulations may contain such classifications, differentiations, or other provisions, and may provide for such adjustments and exceptions for any class of transactions, as in the judgment of the Board are necessary and proper to effectuate the purposes of this title, and prevent circumvention or evasion thereof, or to facilitate compliance therewith.

(b) Compliance with the requirements imposed under this title shall be enforced under—

(1) section 8 of the Federal Deposit Insurance Act, in the case of—

(A) national banks, by the Comptroller of the Currency;

(B) member banks of the Federal Reserve System, other than national banks, by the Board;

(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System) and mutual savings banks as defined in section 3(f) of the Federal Deposit Insurance Act (12 U.S.C. 1813(f)) and any other depository institution not referred to in this paragraph or paragraph (2) or (3) of this subsection, by the Board of Directors of the Federal Deposit Insurance Corporation;

(2) section 5(d) of the Home Owners' Loan Act of 1933, section 407 of the National Housing Act, and sections 6(i) and 17 of the Federal Home Loan Bank Act, by the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), in the case of any institution subject to any of those provisions; and

(3) the Federal Credit Union Act, by the Administrator of the National Credit Union Administration with respect to any credit union.

(c) For the purpose of the exercise by any agency referred to in subsection (b) of its powers under any Act referred to in that subsection, a violation of any requirement imposed under this title shall be deemed to be a violation of a requirement imposed under that Act. In addition to its powers under any provision of law specifically referred to in subsection (b), each of the agencies referred to in that subsection may exercise, for the purpose of enforcing compliance with any requirement imposed under this title, any other authority conferred on it by law.

§ 306. Relation to State Laws

(a) This title does not annul, alter, or affect, or exempt any State-chartered depository institution subject to the provisions of this title from complying with the laws of any State or subdivision thereof with respect to public disclosure and recordkeeping by depository institutions, except to the extent that those laws are inconsistent with any provision of this title, and then only to the extent of the inconsistency. The Board is authorized to determine whether such inconsistencies exist. The Board may not determine that any such law is inconsistent with any provision of this title if the Board determines that such law requires the maintenance of records with greater geographic or other detail than is required under this title, or that such law otherwise provides greater disclosure than is required under this title.

(b) The Board may by regulation exempt from the requirements of this title any State-chartered depository institution within any State or subdivision thereof if it determines that, under the law of such State or subdivision, that institution is subject to requirements substantially similar to those imposed under this title, and that such law contains adequate provisions for enforcement. Notwithstanding any other provision of this subsection, compliance with the requirements imposed under this subsection shall be enforced under—

(1) Section 8 of the Federal Deposit Insurance Act in the case of national banks, by the Comptroller of the Currency; and

(2) Section 5(d) of the Home Owners' Loan Act of 1933 in the case of any institution subject to that provision, by the Federal Home Loan Bank Board.

§ 307. Research and Improved Methods

(a) (1) The Federal Home Loan Bank Board, with the assistance of the Secretary, the Director of the Bureau of the Census, the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and such other persons as the Federal Home Loan Bank Board deems appropriate, shall develop, or assist in the improvement of, methods of matching addresses and census tracts to facilitate compliance by depository institutions in as economical a manner as possible with the requirements of this title.

(2) There is authorized to be appropriated such sums as may be necessary to carry out this subsection.

(3) The Federal Home Loan Bank Board is authorized to utilize, contract with, act through, or compensate any person or agency in order to carry out this subsection.

(b) The Federal Home Loan Bank Board shall recommend to the Committee on Banking, Currency and Housing of the House of Representatives and the Committee on Banking, Housing and Urban Affairs of the Senate such additional legislation as the Federal Home Loan Bank Board deems appropriate to carry out the purpose of this title.

§ 308. Study

(a) The Board, in consultation with the Secretary of Housing and Urban Development, is authorized and directed to carry out a study to determine the feasibility and usefulness of requiring depository institutions located outside standard metropolitan statistical areas, as defined by the Office of Management and Budget, to make disclosures comparable to those required by this title.

(b) A report on the study under this section shall be transmitted to the Congress not later than three years after the date of enactment of this title.

§ 309. Effective Date

This title shall take effect on the one hundred and eightieth day beginning after the date of its enactment. Any depository institution which has total assets as of its last full fiscal year of $10,000,000 or less is exempt from the provisions of this title.

§ 310. Termination of Authority

The authority granted by this title shall expire four years after its effective date.

FEDERAL ENFORCEMENT AGENCIES

The following list indicates the Federal Agencies that enforce Regulation C for each of the classes of depository institutions which must comply with its provisions. Any question concerning compliance by a particular depository institution should be directed to the appropriate enforcing agency.

National Banks

Comptroller of the Currency
Consumer Affairs Division
Washington, D.C. 20219

State Member Banks

Federal Reserve Bank serving the area in which the State member bank is located.

FDIC Insured Banks (except for National Banks and State Member Banks) and Mutual Savings Banks

Office of Bank Customer Affairs
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Savings and Loan Associations and Other Savings Institutions insured by the FSLIC and Members of the FHLB System (except for Savings Banks insured by FDIC)

Office of Housing and Urban Affairs
Federal Home Loan Bank Board
320 First Street, N.W.
Washington, D.C. 20552

Credit Unions

National Credit Union Administration
2025 M Street, N.W.
Washington, D.C. 20456

Other Depository Institutions

Office of Bank Customer Affairs
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Appendix B

UNITED STATES DEPARTMENT OF COMMERCE
Bureau of the Census
Washington, D.C. 20233

May 1976

CENSUS BUREAU PRODUCTS FOR GEOCODING

This document has been developed in response to requests for information on census maps and related products for use in complying with the recent Federal Reserve Board Guidelines relating to the Home Mortgage Disclosure Act of 1975.

The following is a brief description of the census tract program of the U. S. Census Bureau, highlighting several products, such as census maps and tract street indexes, that can be used in the geocoding process.

Census Tracts

Census tracts are small, geographical areas into which counties located in Standard Metropolitan Statistical Areas (SMSA) 1/ have been divided for statistical purposes. Tract boundaries are selected by a local statistical areas committee and approved by the Bureau of the Census. They generally remain the same for a long time, so that statistical comparisons can be made from census to census.

The average tract has approximately 4,000 persons and is originally laid out with attention to achieving some uniformity of population characteristics, economic status, and living conditions.

Census Maps

Census maps are necessary for locating census tracts within metropolitan areas. There are basically four kinds of census maps which delineate census tracts: the tract outline maps, metropolitan maps, county maps, and place maps. None of these census maps show street numbers or address ranges which are generally necessary for manual geocoding.

Tract Outline Maps (Figure 1) show the boundaries of census tracts, counties, and all places (cities) with populations of 25,000 or more. Names of features which constitute tract boundaries are included on these maps except for very short segments. The scale of tract outline maps varies according to the size and complexity of the SMSA and, therefore, may range from 1-inch = ½ mile to 1-inch = 10 miles. Generally, there are two tract outline map sheets per SMSA. These maps are included as part of the Census Tract reports for SMSA's series PHC (1) of the 1970 census reports.

Individual copies of these tract outline maps can be obtained from the Data User Services Division, Bureau of the Census. Prices for these maps are shown on the attachment to this document. A $5.00 minimum is required for each order.

Metropolitan Map Series (Figure 2) The maps in this series generally cover the urbanized area (central city and suburbs) of SMSA's and show in great detail the locations and boundaries of census tracts, as well as the entire street pattern of the area covered by the maps. These maps are at a common scale of 1-inch = 2,000 feet. The series is available as part of the Block Statistics reports for urbanized areas, series HC(3) of the 1970 census reports. These reports can be obtained from the U. S. Government Printing Office. An order form for these reports is attached.

Individual copies of the metropolitan maps can be obtained from the Bureau of the Census. Prices for these maps are shown on the attachment to this document.

The following maps were not noted in the Federal Reserve Board's Guidelines; however, they do provide census tract boundary information for areas outside the metropolitan map coverage and in more detail than that found in the tract outline maps.

Place Maps These maps are available for incorporated and unincorporated places not covered by the Metropolitan Map Series. These maps, which are usually reproductions of maps supplied to the Bureau of the Census by local agencies, identify streets and show boundaries for tracts. Place maps generally vary in scale from 1-inch = 400 feet to 1-inch = 1,500 feet.

There is normally only one map sheet for each place. They are available only from the Data User Services Division at a price of $1.50 and up per map sheet, depending upon the size of the sheet, with a minimum order of $5.00.

County Maps These maps cover all portions of the county not covered by either the Metropolitan Map Series or individual place maps. They are frequently useful in determining street relationships for the areas beyond the suburbs in SMSA's. They are generally at a scale of 1-inch = 2 miles. The county maps do not show streets in the areas covered by the metropolitan maps.

These maps are available only from the Census Bureau. The cost is $1.50 per sheet, with a minimum order of $5.00.

Census Tract Street Indexes

The major drawback in using census maps to assign census tract codes is that they do not contain any address (street numbering) information. Therefore, the user must already know the location of the particular address or obtain a map showing street numbering from some other source. As an alternative, the user interested in geocoding may turn to the address reference files which were developed with the cooperation of local agencies for processing records from the 1970 Census Population and Housing. These reference files were known as Address Coding Guides (ACG) or Geographic Base/DIME files. (Figure 3)

These files present an inventory of all streets within the urbanized area (central city and suburbs) of each SMSA. Low and high address ranges are indicated for each street segment. (e. g., 100 block of Main Street, 3700 block of Elm Street, etc.). The file includes a census block code, a census tract code, city code, Zip Code, county code, and state code for each street segment. Because individual block detail is not required for assigning census tract codes, the number of records in the files can be greatly reduced by collapsing the address range to show only a high and low street address within a census tract. The resulting file would be a "census tract street index." (Figure 4) These street indexes can be used to assign census tract codes, either manually or be computer, to records with individual street addresses.

Because these files were developed by local agencies, generally the regional planning commission or council of governments within each SMSA, the Census Bureau has developed a cooperative program with them for the maintenance of the files. Therefore copies of the files frequently can be obtained through these agencies. These agencies, or the local planning departments, frequently have printed copies of census tract street indexes also.

Alternatively, these files can be obtained from the Bureau of the Census in either machine-readable or printed formats. The cost of obtaining the machine-readable version is $80 per reel of tape. The number of tapes required for each SMSA is shown on the attachment. The machine-readable version contains the complete street segment detail. Printouts of these files with the addresses collapsed to the tract level can be obtained for $80 per reel of input.

Computerized Geocoding

A set of computer programs called ADMATCH was developed by the Census Bureau to attach geographic codes to automated records containing street addresses. The ADMATCH system replaces the clerical look up process by comparing the individual data record address to a geographic reference list, such as the GBF/DIME file, and assigning the appropriate geographic codes to those records meeting the comparison criteria. The system's programs are written in IBM 360/370 Assembly Language under DOS or OS operating systems and are available from the Census Bureau for $80. A non-technical description of the ADMATCH system, ADMATCH ADVENTURES, can be obtained by writing the Center for Census Use Studies, Bureau of the Census.

Map and Address Quality

Mention should be made of the quality of these maps and address files. As was noted above, the files were created for the 1970 census; therefore, they reflect the street pattern/address system as of 1969-1970. This means that recent street additions will not be included in the files or on the maps.

Ordering Procedures

Users can obtain the above mentioned products from the Census Bureau by sending a check or money order for the amounts indicated, payable to "Commerce-Census", to:

Customer Services Branch
Data User Services Division
Bureau of the Census
Washington, D. C. 20233

Those wishing to obtain computer tapes, please indicate the track and density specifications desired. If you wish further information, you may write to the above address or call 301/763-5266.

1/ Established by the Office of Management and Budget, an SMSA in 1970 consisted of a county or group of contiguous counties containing at least one city having a population of 50,000 or more, or two contiguous cities with a combined population of 50,000, the smaller of which must have 15,000 inhabitants, plus adjacent counties which are metropolitan in character and socially and economically integrated with the central city.

FIGURE 1
CENSUS TRACT OUTLINE MAP

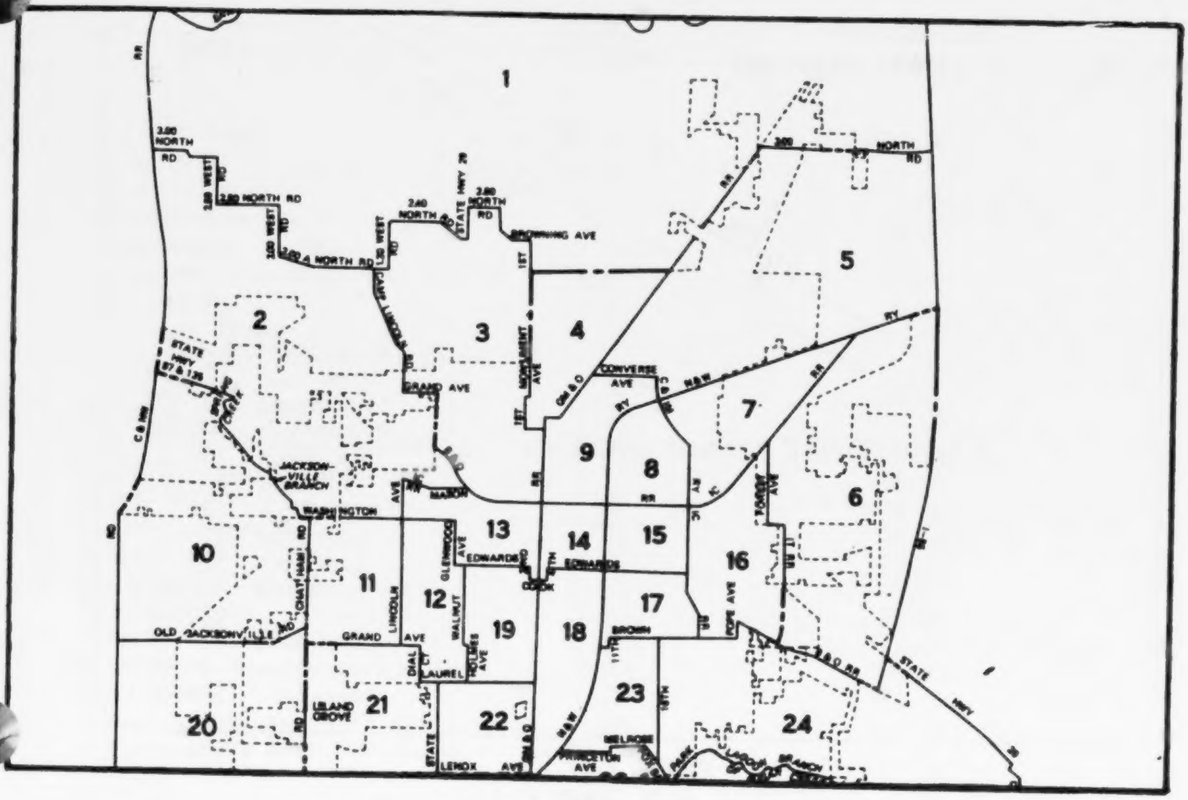


FIGURE 2
CENSUS METROPOLITAN MAP

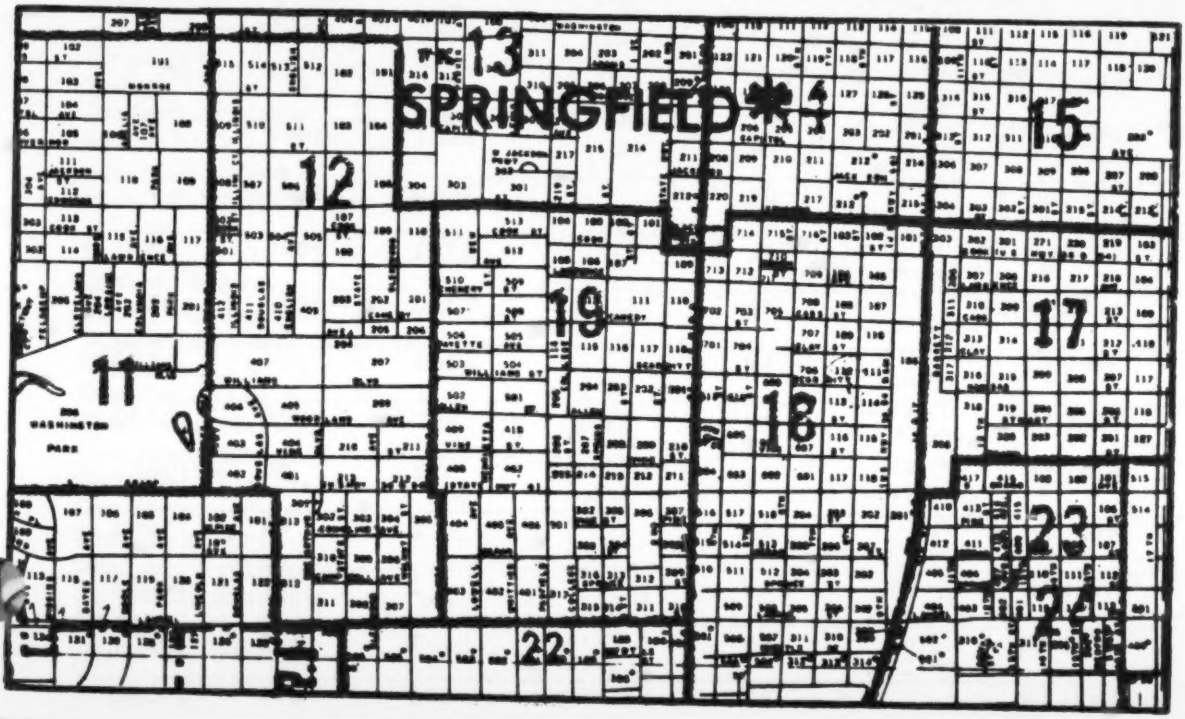
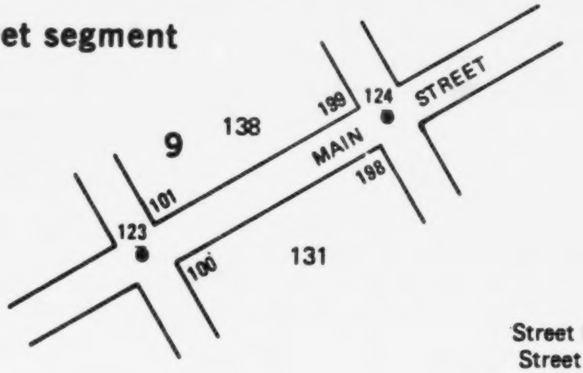


FIGURE 3
GBF/DIME-FILE RECORD

For each street segment



A GBF/DIME record contains

Street Name	MAIN
Street Type	ST
Lt Addresses	101-199
Rt Addresses	100-198
Left Block	138
Left Tract	9
Right Block	131
Right Tract	9
Low Node	123
X-Y coordinate	155000 232000
High Node	124
X-Y coordinate	156000 234000

FIGURE 4
PRINTOUT FROM GBF/DIME-FILE

```
STREET IDENTIFICATION           N        LOW      HIGH    CENSUS
DP NAME              TYPE SF    S        ADDR     ACDR     TRACT

   BERINGER          AV                   200      298     201
   BERKELEY          DR                  3601     3999       6
   BERKELEY          DR                  3600     3998       6
   BERKSHIRE         PL                  1701     2099       7
   BERKSHIRE         PL                  1700     2098       7
N  BERLIN            AV                   301      399    4702
N  BERLIN            AV                   200      398    4702
N  BERLIN            AV                     1       99   10001
N  BERLIN.           AV                     0       98   10001
S  BERLIN            AV                     1      399   10001
S  BERLIN            AV                     1      398   10001
S  BERLIN            AV                   401      699   10002
```

CENSUS MAP PRICES AND NUMBER OF REELS FOR GEOGRAPHIC BASE FILES

SMSA	Tract Outline	Metropolitan Maps	GBF or ACG* (# of reels)
Abilene, Texas	$1.20	$12.00	1
Akron, Ohio	1.50	49.50[1]	1
Albany, Georgia	1.20	6.00	1
Albany-Schenectady-Troy, N. Y.	2.25	24.00	1*
Albuquerque, N. Mex.	1.50	13.50	1
Allentown-Bethlehem, Pa.	1.50	21.50	1
Altoona, Pa.	1.20	4.50	1
Amarillo, Texas	1.20	12.00	1
Anaheim-Santa Ana-Garden Grove, California	2.80	21.00	1
Anderson, Indiana	1.20	9.00	1*
Ann Arbor-Detroit, Michigan	1.50	13.50	1
Appleton-Oshkosh, Wisc.	1.75	15.00	1
Asheville, N. C.	1.20	9.00	1
Atlanta, Georgia	2.25	42.00	1
Atlantic City, N. J.	1.20	13.50	1*
Augusta, Georgia-S. C.	1.50	16.50	1
Austin, Texas	1.20	15.00	1
Bakersfield, California	1.50	9.00	1
Baltimore, Md.	3.90	51.00	2
Baton Rouge, Louisiana	1.20	13.50	1
Bay City-Saginaw, Michigan	1.20	12.00	1
Beaumont-Port Arthur-Orange, Texas	1.75	21.00	1
Billings, Montana	1.20	6.00	1
Biloxi-Gulfport, Miss.	1.50	10.50	1
Binghamton, N. Y._Pa.	1.20	15.00	1
Birmingham, Alabama	2.80	31.50	1
Bloomington-Normal, Illinois	1.20	9.00	1*
Boise City, Idaho	1.20	9.00	1
Boston, Mass.	2.75	79.50[3]	2
Bridgeport, Conn.	1.20	22.50[2]	1*
Bristol, Conn.	.90	9.00	1
Brockton, Mass.	1.20	10.50[3]	1
Brownsville-Harlingen-San Benito, Texas	1.75	13.50	1
Buffalo, N. Y.	1.50	24.00	1*
Canton, Ohio	1.75	25.50[1]	1
Cedar Rapids, Iowa	1.20	9.00	1
Champaign-Urbana-Rantoul, Ill.	1.75	6.00	1
Charleston, W. Va.	1.75	16.50	1
Charleston, S. C.	1.75	21.00	1
Charlotte, N. C.	1.50	15.00	1
Chattanooga, Tenn.	1.20	12.00	1
Chicago, Illinois	4.95	97.50	4
Cincinnati, Ohio	2.25	36.00	1
Cleveland, Ohio	2.25	49.50[1]	2
Colorado Springs, Colo.	1.75	15.00	1
Columbia, Missouri	1.20	3.00	
Columbia, S. C.	1.50	16.50	1
Columbus, Georgia	1.20	12.00	1

PRICE LIST (Cont'd)

SMSA	Tract Outline	Metropolitan Maps	GBF or ACG* (# of reels)
Columbus, Ohio	$2.25	$ 19.50	1
Corpus Christi, Texas	1.75	24.00	1
Dallas, Texas	1.75	55.50	2
Danbury, Conn.		12.00	
Davenport-Rock Island-Moline, Iowa-Illinois	1.50	13.50	1
Dayton, Ohio	1.75	22.50	1
Decatur, Illinois	1.20	12.00	1*
Denver, Colorado	2.80	37.50	1
Des Moines, Iowa	1.20	18.00	1
Detroit-Ann Arbor, Michigan	2.25	72.00	3
Dubuque, Iowa	1.20	3.00	1
Duluth-Superior, Minn.-Wisconsin	1.50	13.50	1
Durham, N. C.	1.20	10,50	1
El Paso, Texas	1.75	15.00	1
Erie, Pa.	1.20	6.00	1
Eugene-Springfield, Oregon	1.75	10.50	1
Evansville, Indiana-Kentucky	1.20	7.50	1
Fall River, Mass.-R. I.	1.20	39.00	1
Fargo-Moorhead, N. D.-Minn.	1.20	6.00	1
Fayetteville, N. C.	1.20	12.00	1
Fitchburg-Leominster, Mass.	1.50	10.50	1
Flint, Michigan	1.20	18.00	1
Fort Lauderdale-Hollywood, Fla.	1.75	24.00	1
Fort Smith, Arkansas-Okla.	1.20	9.00	1
Fort Wayne, Indiana	1.75	12.00	1
Fort Worth, Texas	2.25	42.00	1
Fresno, California	1.75	15.00	1
Gasden, Alabama	1.20	12.00	1
Gainesville, Florida	1.20	8.00	1
Galveston-Texas City, Texas	2.25	22.50	1
Gary-Hammond-East Chicago, Ind.	1.75	27.00	1
Grand Rapids, Michigan	1.75	18.00	1*
Great Falls, Montana	1.20	6.00	1
Green Bay, Wisconsin	1.20	12.00	1
Greensboro-Winston-Salem-High Point, N. C.	$1.75	$22.50	1*
Greenville-Spartanburg, N. C.	1.20	13.50	1
Hamilton-Middleton, Ohio	1.50	15.00	1
Harrisburg, Pa.	1.20	15.00	1*
Hartford, Conn.	1.50	15.00	1
Honolulu, Hawaii	2.25	40.50	1
Houston, Texas	2.25	100.50	2
Huntington-Ashland, West Virginia-Kentucky-Ohio	1.50	10.50	1
Huntsville, Alabama	1.50	19.50	1
Indianapolis, Indiana	2.25	27.00	1
Jackson, Michigan	1.20	9.00	1*
Jackson, Miss.	1.75	12.00	1
Jacksonville, Fla.	1.20	52.50 4/	1
Jersey City, N. J.	2.25	9.00	2

PRICE LIST (Cont'd)

SMSA	Tract Outline	Metropolitan Maps	GBF or ACG* (# of reels)
Johnstown, Pa.	$1.20	$ 10.50	1
Kalamazoo-Portage, Michigan	1.20	9.00	1
Kansas City, Missouri-Kansas	2.25	39.00	2
Kenosha, Wisconsin	1.20	9.00	1
Knoxville, Tennessee	1.75	15.00	1
La Crosse, Wisconsin			
Lafayette, Louisiana	1.20	6.00	
Lafayette-West Lafayette, Ind.	1.20	6.00	
Lake Charles, Louisiana	1.20	6.00	
Lancaster, Pa.	1.75	13.50	1
Lansing-East Lansing, Michigan	1.50	13.50	1*
Laredo, Texas	1.20	3.00	1
Las Vegas, Nevada	1.50	16.50	1
Lawrence-Haverhill, Mass.-N. H.	1.50	18.00 3/	1
Lawton, Oklahoma	1.20	6.00	1
Lewiston-Auburn, Maine	1.20	12.00	1
Lexington-Fayette, Kentucky	1.20	6.00	1
Lima, Ohio	1.20	10.50	1
Lincoln, Nebraska	1.20	7.50	1
Little Rock-North Little Rock, Arkansas	2.05	18.00	1
Lorain-Elyria, Ohio	1.75	24.00 1/	1
Los Angeles-Long Beach, Calif.	3.90	99.00	4
Louisville, Kentucky-Indiana	2.25	24.00	1
Lowell, Mass.-New Hampshire	1.20	18.00 3/	1
Lubbock, Texas	1.20	6.00	1
Lynchburg, Virginia	1.20	7.50	1
Macon, Georgia	1.20	10.50	1
Madison, Wisconsin	1.50	12.00	1
Manchester, New Hampshire	1.20	15.00	1
Mansfield, Ohio	1.20	7.50	1*
McAllen-Pharr-Edinburg, Texas	1.20	12.00	1
Memphis, Tenn.-Arkansas-Miss.	1.50	22.50	1
Meriden, Conn.	.90	12.00 2/	1*
Miami, Florida	1.75	28.50	2
Midland, Texas	1.20	6.00	1
Milwaukee, Wisconsin	1.75	42.00	1
Minneapolis-St.Paul, Minn.-Wisconsin	3.10	67.50	2
Mobile, Alabama	1.50	16.50	1
Modesto, California	1.20	6.00	
Monroe, Louisiana	1.20	9.00	1
Montgomery, Alabama	1.20	6.00	1
Muncie, Indiana	1.20	6.00	1
Muskegon-Muskegon Heights, Michigan	1.20	9.00	1*
Nashville-Davidson, Tenn.	1.75	42.00	1*
Nassau-Suffolk, N. J.	(See New York)	60.00 4/	2
New Bedford, Mass.	1.20	16.50	1

PRICE LIST (Cont'd)

SMSA	Tract Outline	Metropolitan Maps	GBF or ACG* (# of reels)
New Britain, Conn.	$1.20	$21.00	1
New Haven-West Haven, Conn.	1.20	28.50 2/	1*
New London-Norwich, Conn.-Rhode Island	1.50	16.50	1*
New Orleans, Louisiana	2.05	31.50	1
New York, N. Y.-N. J.	7.90	82.50 4/	4
Newark, N. J.	3.10	57.00 4/	2
Newport News-Hampton, Va.	1.50	19.50	1
Norfolk-Virginia Beach-Portsmouth, Va.-N. C.	2.05	45.00	1*
Norwalk, Conn.	1.20	12.00 2/	1*
Odessa, Texas	1.20	10.50	1
Ogden, Utah	1.20	36.00	1
Oklahoma City, Oklahoma	1.75	70.50	1
Omaha, Nebraska-Iowa	2.05	15.00	1
Orlando, Florida	1.75	25.50	1*
Oxnard-Simi Valley-Ventura, California	1.75	27.00	1
Paterson-Clifton-Passaic, N.J.	1.50	37.50 4/	2
Pensacola, Florida	1.75	10.50	1*
Peoria, Illinois	1.50	21.00	1
Philadelphia, Pa. N. J.	3.90	64.50	3
Phoenix, Arizona	1.50	49.50	1
Pine Bluff, Arkansas	1.20	6.00	1
Pittsburgh, Pa.	3.90	110.00	2
Pittsfield, Mass.	1.20	6.00	1
Portland, Maine	1.20	13.50	1
Portland, Oregon-Washington	2.25	31.50	2
Providence-Warwick-Pawtucket, Rhode Island-Mass.	2.25	39.00	1
Provo-Orem, Utah	1.75	9.00	1
Pueblo, Colorado	1.20	6.00	1
Racine, Wisconsin	1.20	81.00	1
Raleigh, N. C.	1.20	15.00	1
Reading, Pa.	1.75	9.00	1
Reno, Nevada	1.20	10.50	1
Richmond, Va.	1.50	25.50	1*
Riverside-SanBernardino-Ontario, California	2.25	48.00	1*
Roanoke, Va.	1.50	10.50	1
Rochester, Minnesota	1.20	6.00	
Rochester, N. Y.	1.75	19.50	1
Rockford, Illinois	1.75	10.50	1
Sacramento, California	2.25	24.00	1
Saginaw-Bay City, Michigan	1.20	12.00	1
St. Joseph, Missouri	1.20	7.50	1
St. Louis, Missouri-Illinois	2.00	30.00	2
Salem, Oregon	1.20	9.00	1

PRICE LIST (Cont'd)

SMSA	Tract Outline	Metropolitan Maps	GBF or ACG* (# of reels)
Salinas-Seaside-Monterey, Calif.	$1.75	$ 13.50	1
Salt Lake City-Ogden, Utah	1.50	36.00	1
San Angelo, Texas	1.20	6.00	1
San Antonio, Texas	1.50	33.00	1
San Diego, California	2.80	61.50	1
San Francisco-Oakland, Calif. (includes Vallejo-Napa)	5.40	109.50	4
San Jose, California	2.25	43.50	1
Santa Barbara-Santa Maria-Lompoc, California	1.75	4.50	1
Santa Rosa, California	1.20	6.00	1
Savannah, Georgia	1.20	10.50	1
Scranton, Pa.	1.20	13.50	1
Seattle-Everett, Wash.	2.25	31.50	2
Sherman-Denison, Texas	1.20	12.00	1
Shreveport, Louisiana	2.05	13.00	1
Sioux City, Iowa-Nebraska	1.20	9.00	1
Sioux Falls, South Dakota	1.20	6.00	1
South Bend, Indiana	1.20	15.00	1
Spokane, Washington		12.00	1
Springfield, Illinois	1.50	12.00	1*
Springfield, Missouri	1.20	9.00	1
Springfield, Ohio	1.20	6.00	1
Springfield-Chicopee-Holyoke, Massachusetts-Conn.	1.75	30.00	1
Stamford, Conn.	1.20	13.50 2/	1*
Steubenville-Weirton, Ohio-West Virginia	1.20	9.00	1
Stockton, California	1.75	9.00	1
Syracuse, N. Y.	1.20	13.50	1*
Tacoma, Washington	1.50	19.50	1
Tallahassee, Florida	1.20	7.50	1
Tampa-St. Petersburg, Fla.	2.25	43.50	2
Terre Haute, Indiana	1.75	9.00	1
Texarkana, Texas-Texarkana, Arkansas	1.20	6.00	1
Toledo, Ohio-Michigan	1.75	16.50	1
Topeka, Kansas	1.20	7.50	1
Trenton, N. J.	1.20	15.00	1
Tucson, Arizona	1.50	16.50	1
Tulsa, Oklahoma	1.50	25.50	1
Tuscaloosa, Alabama	1.20	6.00	1
Tyler, Texas	1.20	10.50	1
Utica-Rome, N. Y.	1.75	19.50	1
Vallejo-Fairfield-Napa, Calif.	1.50	(See San Francisco)	1
Vineland-Millville-Bridgeton, New Jersey	1.50	13.50	1*
Waco, Texas	1.75	18.00	1

PRICE LIST (Cont'd)

SMSA	Tract Outline	Metropolitan Maps	GBF or ACG* (# of reels)
Washington, D. C.-Md.-Va.	$ 6.00	$ 46.50	2
Waterbury, Conn.	1.20	13.50 2/	1*
Wilkes-Barre, Pa.	1.20	18.00	1
Waterloo-Cedar Falls, Iowa	1.20	9.00	1
West Palm Beach-Boca Raton, Fla.	2.25	27.00	1
Wheeling, W. Va.-Ohio	1.75	10.50	1
Wichita, Kansas	1.50	15.00	1
Wichita Falls, Texas	1.75	9.00	1
Wilmington, Delaware-N. J.-Md.	1.75	18.00	1
Wilmington, N. C.		9.00	
Worcester, Mass.	1.50	33.00	1
York, Pa.	1.50	10.50	1
Youngstown-Warren, Ohio	1.75	18.00	1

*ACG - Address Coding Guides - Forerunner to the Geographic Base file, these files were developed in 1968-1969 in 145 SMSAs. They contain address range and census tract identifies necessary for geocoding. They have been replaced by GBFs in many SMSAs.

1/ Northeastern Ohio map series - 76 sheets ($114) includes Akron, Canton, Cleveland, and Lorain-Elyria, SMSAs.

2/ Southwestern Connecticut map series - 47 sheets ($70.50) includes Bridgeport, Meridan, New Haven, Norwalk, Stamford, and Waterbury, SMSAs.

3/ Eastern Massachusetts map series - 73 sheets ($109.50) includes Boston, Broçton, Lawrence-Haverhill, and Lowell, SMSAs.

4/ New York-Northeastern New Jersey map series - 144 sheets ($216) includes New York and Nassau-Suffolk, New York, SMSAs and Jersey City, Newark, and Patterson-Clifton-Passaic, New Jersey, SMSAs.

Appendix C

STANDARD METROPOLITAN STATISTICAL AREAS
As of June 28, 1976

The following are the new SMSAs. This list modifies the Board's mimeographed publication Standard Metropolitan Statistical Areas as of June 28, 1976.

New SMSAs

SMSA Code	Census Bureau PHC (1) Report No.	SMSA Title and Counties Comprising SMSA
1140	None*	BRADENTON, FLORIDA SMSA Manatee County
2985	None*	GRAND FORKS, NORTH DAKOTA—MINNESOTA SMSA Grand Forks County, N.D. Polk County, Minn.
3850	None*	KOKOMO, INDIANA SMSA Howard County Tipton County
4150	None*	LAWRENCE, KANSAS SMSA Douglas County
6015	None*	PANAMA CITY, FLORIDA SMSA Bay County

*Since none of the counties in the newly created SMSAs were tracted by the Census Bureau for the 1970 census, there are no PHC (1) maps available for those counties. Consequently, the required disclosures relating to property located in those counties may be made by U.S. Postal Service ZIP code area, rather than by census tract.

Board of Governors of the Federal Reserve System

Standard Metropolitan Statistical Areas
As of June 28, 1976

The attached list[1] is designed for use in conjunction with the Federal Reserve Home Mortgage Disclosure regulations (Regulation C). It contains the current definitions of all standard metropolitan statistical areas ("SMSAs") and references to the PHC(1) reports in which the appropriate census tract maps are to be found.[2]

The list serves three principal functions:

1. By providing the definition of each SMSA, the list enables a depository institution to determine (i) whether it has its home office or any of its branch offices located in a SMSA, and (ii) if it is subject to the regulations, for which SMSA or SMSAs it must prepare a mortgage loan disclosure statement.

2. The list permits a depository institution to determine whether a particular mortgage loan should be included in Section I of its mortgage loan disclosure statement (i.e., mortgage loan data relating to residential real property located within the relevant SMSA) or whether the mortgage loan should be included in Section II (i.e., mortgage loan data relating to residential real property located outside the relevant SMSA (or SMSAs)).

3. Through the use of asterisks marking certain portions of SMSAs, the list enables a depository institution to determine to what extent itemization of prospective Section I data may be by ZIP codes, in lieu of census tracts. (Retrospective Section I data may be itemized by ZIP codes, in lieu of census tracts, in all cases in accordance with section 203.4(a)(2) of Regulation C.)[3]

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[1] The list has been prepared by the Board's Office of Saver and Consumer Affairs. This list is believed to be accurate and complete, but it is not an official publication of the Office of Management and Budget or the Bureau of the Census.

[2] The attached list replaces a list of SMSAs dated March 22, 1976 (together with an errata sheet), that the Board made available at the time Regulation C was proposed for comment. No changes in SMSAs have been made by the Office of Management and Budget since March 22, 1976, and none will be made between the date of release of the attached list and June 28, 1976, the effective date of Regulation C. If changes in SMSAs are made in the future, the Board will issue a timely announcement. (The PHC(1) maps will not be changed until the taking of the 1980 census.)

[3] Section 203.4(a)(2) of Regulation C provides:

> Mortgage loan data relating to residential real property located within the relevant SMSA may be itemized, according

Since the disclosure statements are to be prepared on the basis of current SMSA definitions, the list should be consulted in connection with working with the maps for the following reasons: (1) the maps were prepared on the basis of 1971 SMSA definitions, and some of these definitions have been changed since then; (2) 35 of the maps show "adjacent areas" with then-defined SMSAs; some of these adjacent areas have been added to SMSAs since the maps were prepared, and some have not been added; and (3) in view of changes in definitions, a PHC(1) map for some other SMSA may have to be used with respect to some portions of a currently defined SMSA (whenever this is necessary, a parenthetical reference to the appropriate PHC(1) report is provided in the list).

The following examples are given to illustrate the use of the list in conjunction with the PHC(1) maps:

(1) The Chicago, Ill. SMSA is defined (p. 9 of the list) as comprising Cook, Du Page, Kane, Lake, McHenry and Will counties.

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[3] (continued from preceding page)

> to the classifications specified in subsection (1) of this paragraph, by United States Postal Service ZIP codes for the area in which the principal residential real property securing the residential mortgage loan (or, in the case of home improvement loans, the property to be improved) is located, in lieu of census tracts, to the extent that such data relate to:
>
> (i) a full fiscal year ending prior to July 1, 1976; or
>
> (ii) a part of a fiscal year if that part ends on June 30, 1976, provided that a mortgage loan disclosure statement for that part of the fiscal year is made available by the depository institution by September 30, 1976, and a separate mortgage loan disclosure statement for the remaining part of that fiscal year (itemizing mortgage loan data relating to residential real property within the relevant SMSA by census tracts) is made available by the depository institution within ninety days of the end of that fiscal year; or
>
> (iii) residential real property located in an area of a currently defined relevant SMSA that is not tracted on the maps (as a portion of then-defined SMSAs or otherwise) in the series "1970 Census of Population and Housing: CENSUS TRACTS, Final Reports, PHC(1) Series" prepared by the Bureau of the Census of the United States Department of Commerce.

As a matter of convenience, the asterisks appearing on the list indicate the operation of clause (iii) of section 203.4(a)(2).

The PHC(1)-43 map shows census tracts for all six of these counties and for no other areas. A depository institution located in that SMSA must itemize by census tracts (in Section I of its statement) its mortgage loans on property located in any of these six counties.

(2) The Milwaukee, Wis. SMSA is defined (p. 22) as comprising Milwaukee, Ozaukee, Washington and Waukesha counties. The PHC(1)-131 map shows census tracts for these four counties, as well as for Walworth County. A depository institution located in that SMSA would include its mortgage loans on property located in Walworth County in the aggregate figures in Section II of its statement (i.e., such loans are not to be itemized by census tracts). It would itemize by census tracts its mortgage loans on property located in any of the other four counties (in Section I of its statement).

(3) The Lynchburg, Va. SMSA is defined (p. 21) as comprising Lynchburg city, Amherst County, Appomattox County, and Campbell County. The PHC(1)-121 map shows census tracts for Lynchburg city, Amherst County, Campbell County, and part of Bedford County. Census tracts for Appomattox County are not found on that map nor on any other map in the PHC(1) series (as indicated by the asterisk next to the name of that county on p. 21). A depository institution located in that SMSA would itemize by census tracts (in Section I of its statement) its mortgage loans on property located in Lynchburg city, Amherst County and Campbell County; it would itemize by ZIP codes (in Section I of its statement) its mortgage loans on property located in Appomattox County; and it would include in the aggregate figures in Section II of its statement its mortgage loans on property located anywhere in Bedford County.

(4) The Detroit, Mich. SMSA is defined (pp. 11-12) as comprising Lapeer, Livingston, Macomb, Oakland, St. Clair and Wayne counties. The PHC(1)-58 map shows census tracts for all of these counties except Lapeer County. As noted parenthetically on page 11 of the list, census tracts for Lapeer County are found in the PHC(1)-70 report (for the Flint, Mich. SMSA). A depository institution located in the Detroit SMSA would itemize by census tracts (in Section I of its statement) its mortgage loans on property located in any of the six counties. (A depository institution located in the Flint SMSA and not in the Detroit SMSA would, of course, include its mortgage loans on property located in Lapeer County in the aggregate figures in Section II of its statement.)

(5) The Salt Lake City-Ogden, Utah SMSA is defined (p. 32) as comprising Davis, Salt Lake, Tooele, and Weber counties. That SMSA is a consolidation of two former SMSAs for which separate PHC(1) maps had been prepared. The PHC(1)-151 map shows census tracts for Weber County only, and the PHC(1)-184 map shows census tracts for

Davis and Salt Lake counties only. Census tracts for Tooele County are not shown on either of those maps nor on any other map in the PHC(1) series. A depository institution located in that SMSA would itemize by ZIP codes (in Section I of its statement) its mortgage loans on property located in Tooele County; and it would itemize by census tracts (in Section I of its statement) its mortgage loans on property located in any of the other three counties.

(6) The Nassau-Suffolk, N.Y. SMSA is defined (p. 24) as comprising Nassau County and Suffolk County. No PHC(1) report was prepared for that SMSA. However, census tracts for both those counties are shown in the PHC(1)-145 report (for the New York, N.Y.-N.J. SMSA), as parenthetically indicated on page 24 of the list. A depository institution located in the Nassau-Suffolk SMSA would itemize by census tracts (in Section I of its statement) its mortgage loans on property located in either of those counties.

(7) The Charleston, W. Va. SMSA is defined (p. 8) as comprising Kanawha County and Putnam County. The PHC(1)-40 map shows census tracts for Kanawha County only. Census tracts for Putnam County are not shown anywhere in the PHC(1) series, as indicated by the asterisk appearing next to the name of that county on page 8. A depository institution located in that SMSA would itemize by census tracts (in Section I of its statement) its mortgage loans on property located in Kanawha County, and it would itemize by ZIP codes (in Section I of its statement) its mortgage loans on property located in Putnam County.

(8) The Florence, Ala. SMSA is defined (p. 13) as comprising Colbert County and Lauderdale County. No PHC(1) report was prepared for that SMSA, and census tracts for the component counties are not found anywhere in the PHC(1) series. A depository institution located in that SMSA would itemize by ZIP codes (in Section I of its statement) its mortgage loans on property located in either of those counties.

* * *

Standard Metropolitan Statistical Areas
As of June 28, 1976

[Note: A depository institution that is subject to Federal Reserve Regulation C and that has a home or branch office located in any of the following SMSAs must itemize its mortgage loans on property located in that SMSA by census tracts, except that if the property is located in a portion of that SMSA where an asterisk appears on this list, loans on property located in that portion marked by the asterisk may be itemized by ZIP codes in lieu of census tracts.]

SMSA AREA CODE / PHC (1) REPORT NUMBERS	AREA TITLE
0040/1	ABILENE, TEXAS *Callahan County Jones County Taylor County
0080/2	AKRON, OHIO Portage County Summit County
0120/3	ALBANY, GEORGIA Dougherty County *Lee County
0160/4	ALBANY-SCHENECTADY-TROY, NEW YORK Albany County *Montgomery County Rensselaer County Saratoga County Schenectady County
0200/5	ALBUQUERQUE, NEW MEXICO Bernalillo County *Sandoval County
0220/none	ALEXANDRIA, LOUISIANA *Grant Parish *Rapides Parish
0240/6	ALLENTOWN-BETHLEHEM-EASTON, PENNSYLVANIA-NEW JERSEY *Carbon County, Pennsylvania Lehigh County, Pennsylvania Northampton County, Pennsylvania Warren County, New Jersey
0280/7	ALTOONA, PENNSYLVANIA Blair County
0320/8	AMARILLO, TEXAS Potter County Randall County
0360/9	ANAHEIM-SANTA ANA-GARDEN GROVE, CALIFORNIA Orange County
0380/none	ANCHORAGE, ALASKA *Anchorage Census Division
0400/10	ANDERSON, INDIANA Madison County
0440/11	ANN ARBOR, MICHIGAN Washtenaw County
0450/none	ANNISTON, ALABAMA *Calhoun County
0460/12	APPLETON-OSHKOSH, WISCONSIN Calumet County Outagamie County Winnebago County
0480/13	ASHEVILLE, NORTH CAROLINA Buncombe County *Madison County
0520/14	ATLANTA, GEORGIA *Butts County *Cherokee County Clayton County Cobb County De Kalb County Douglas County *Fayette County *Forsyth County Fulton County Gwinnett County Henry County *Newton County

(continued)

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*/ Report by ZIP Code.

SMSA AREA CODE/PHC(1) REPORT NUMBERS	AREA TITLE
	*Paulding County
	Rockdale County
	*Walton County
0560/15	ATLANTIC CITY, NEW JERSEY
	Atlantic County
0600/16	AUGUSTA, GEORGIA-SOUTH CAROLINA
	*Columbia County, Georgia
	Richmond County, Georgia
	Aiken County, South Carolina
0640/17	AUSTIN, TEXAS
	*Hays County
	Travis County
0680/18	BAKERSFIELD, CALIFORNIA
	Kern County
0720/19	BALTIMORE, MARYLAND
	Baltimore City
	Anne Arundel County
	Baltimore County
	Carroll County
	Harford County
	Howard County
0760/20	BATON ROUGE, LOUISIANA
	*Ascension Parish
	East Baton Rouge Parish
	*Livingston Parish
	West Baton Rouge Parish
0780/none	BATTLE CREEK, MICHIGAN
	*Barry County
	*Calhoun County
0800/21	BAY CITY, MICHIGAN
	Bay County

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*/ Report by ZIP Code.

SMSA AREA CODE/PHC(1) REPORT NUMBERS	AREA TITLE
0840/22	BEAUMONT-PORT ARTHUR-ORANGE, TEXAS
	*Hardin County
	Jefferson County
	Orange County
0880/23	BILLINGS, MONTANA
	Yellowstone County
0920/24	BILOXI-GULFPORT, MISSISSIPPI
	*Hancock County
	Harrison County
	*Stone County
0960/25	BINGHAMTON, NEW YORK-PENNSYLVANIA
	Broome County, New York
	Tioga County, New York
	Susquehanna County, Pennsylvania
1000/26	BIRMINGHAM, ALABAMA
	Jefferson County
	*St. Clair County
	Shelby County
	Walker County
1020/none	BLOOMINGTON, INDIANA
	*Monroe County
1040/27	BLOOMINGTON-NORMAL, ILLINOIS
	McLean County
1080/28	BOISE CITY, IDAHO
	Ada County
1120/29	BOSTON, MASSACHUSETTS
	Essex County (part)
	Beverly City
	Lynn City
	Peabody City
	Salem City
	Boxford town
	Danvers town
	Hamilton town

(continued)

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
		Lynnfield town
		Manchester town
		Marblehead town
		Middleton town
		Nahant town
		Saugus town
		Swampscott town
		Topsfield town
		Wenham town
		Middlesex County (part)
		Cambridge city
		Everett city
		Malden city
		Medford city
		Melrose city
		Newton city
		Somerville city
		Waltham city
		Woburn city
		Acton town
		Arlington town
		Ashland town
		Bedford town
		Belmont town
		*Boxborough town
		Burlington town
		Carlisle town
		Concord town
		Framingham town
		*Holliston town
		Lexington town
		Lincoln town
		Natick town
		North Reading town
		Reading town
		Sherborn town
		Stoneham town
		Sudbury town
		Wakefield town
		Watertown town

(continued)

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*/ Report by ZIP Code.

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
		Wayland town
		Weston town
		Wilmington town
		Winchester town
		Norfolk County (part)
		Quincy city
		Bellingham town (In PHC-(1)-166)
		Braintree town
		Brookline town
		Canton town
		Cohasset town
		Dedham town
		Dover town
		Foxborough town
		Franklin town (In PHC-(1)-166)
		Holbrook town
		Medfield town
		Medway town
		Millis town
		Milton town
		Needham town
		Norfolk town
		Norwood town
		Randolph town
		Sharon town
		Stoughton town (In PHC-(1)-32)
		Walpole town
		Wellesley town
		Westwood town
		Weymouth town
		Wrentham town (In PHC-(1)-166)
		Plymouth County (part)
		Abington town (In PHC-(1)-32)
		Duxbury town
		Hanover town
		Hanson town (In PHC-(1)-32)
		Hingham town
		Hull town
		*Kingston town
		Marshfield town
		Norwell town
		Pembroke town
		Rockland town
		Scituate town

(continued)

SMSA AREA CODE PHC(1) REPORT NUMBERS	AREA TITLE
	Suffolk County
	Boston city
	Chelsea city
	Revere city
	Winthrop town
1160/30	BRIDGEPORT, CONNECTICUT
	Fairfield County (part)
	Bridgeport city
	Shelton city
	Easton town
	Fairfield town
	Monroe town
	Stratford town
	Trumbull town
	New Haven County (part)
	*Derby city
	Milford city
1170/31	BRISTOL, CONNECTICUT
	Hartford, County (part)
	Bristol city
	Burlington town
	Litchfield county (part)
	Plymouth town
1200/32	BROCKTON, MASSACHUSETTS
	Bristol County (part)
	Easton town
	Norfolk County (part)
	Avon town
	Plymouth County (part)
	Brockton city
	Bridgewater town
	East Bridgewater town
	*Halifax town
	West Bridgewater town
	Whitman town
1240/33	BROWNSVILLE-HARLINGEN-SAN BENITO, TEXAS
	Cameron County

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*/ Report by ZIP code.

SMSA AREA CODE PHC(1) REPORT NUMBERS	AREA TITLE
1260/34	BRYAN-COLLEGE STATION, TEXAS
	Brazos County
1280/35	BUFFALO, NEW YORK
	Erie County
	Niagara County
1300/none	BURLINGTON, NORTH CAROLINA
	*Alamance County
1310/none	CAGUAS, PUERTO RICO
	*Caguas Municipio
	*Gurabo Municipio
	*San Lorenzo Municipio
1320/36	CANTON, OHIO
	*Carroll County
	Stark County
1360/37	CEDAR RAPIDS, IOWA
	Linn County
1400/38	CHAMPAIGN-URBANA-RANTOUL, ILLINOIS
	Champaign County
1440/39	CHARLESTON-NORTH CHARLESTON, SOUTH CAROLINA
	Berkeley County
	Charleston County
	Dorchester County
1480/40	CHARLESTON, WEST VIRGINIA
	Kanawha County
	*Putnam County
1520/41	CHARLOTTE-GASTONIA, NORTH CAROLINA
	Gaston County
	Mecklenburg County
	Union County
1560/42	CHATTANOOGA, TENNESSEE-GEORGIA
	Hamilton County, Tennessee
	*Marion County, Tennessee
	*Sequatchie County, Tennessee

(continued)

SMSA AREA CODE PHC(1) REPORT NUMBERS	AREA TITLE
	*Catoosa County, Georgia
	*Dade County, Georgia
	Walker County, Georgia
1600/43	CHICAGO, ILLINOIS
	Cook County
	Du Page County
	Kane County
	Lake County
	McHenry County
	Will County
1640/44	CINCINNATI, OHIO-KENTUCKY-INDIANA
	Clermont County, Ohio
	Hamilton County, Ohio
	Warren County, Ohio
	Boone County, Kentucky
	Campbell County, Kentucky
	Kenton County, Kentucky
	Dearborn County, Indiana
1660/none	CLARKSVILLE-HOPKINSVILLE, TENNESSEE-KENTUCKY
	*Montgomery County, Tennessee
	*Christian County, Kentucky
1680/45	CLEVELAND, OHIO
	Cuyahoga County
	Geauga County
	Lake County
	Medina County
1720/46	COLORADO SPRINGS, COLORADO
	El Paso County
	*Teller County

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*/ Report by ZIP Code.

SMSA AREA CODE PHC (1) REPORT NUMBERS	AREA TITLE
1740/47	COLUMBIA, MISSOURI
	Boone County
1760/48	COLUMBIA, SOUTH CAROLINA
	Lexington County
	Richland County
1800/49	COLUMBUS, GEORGIA-ALABAMA
	Columbus (consolidated government), Georgia
	Chattahoochee County, Georgia
	Russell County, Alabama
1840/50	COLUMBUS, OHIO
	Delaware County
	*Fairfield County
	Franklin County
	*Madison County
	Pickaway County
1880/51	CORPUS CHRISTI, TEXAS
	Nueces County
	San Patricio County
1920/52 & 74	DALLAS-FORT WORTH, TEXAS
	Collin County
	Dallas County
	Denton County
	Ellis County
	*Hood County
	Johnson County
	Kaufman County
	Parker County
	Rockwall County
	Tarrent County
	Wise County
1930/none	DANBURY, CONNECTICUT
	Fairfield County (part)
	*Danbury city
	*Bethel town
	*Brookfield town

(continued)

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
		*New Fairfield town
		*Newtown town
		*Redding town
		Litchfield County (part)
		*New Milford town
1960	53	DAVENPORT-ROCK ISLAND-MOLINE, IOWA-ILLINOIS
		Scott County, Iowa
		Henry County, Illinois
		Rock Island County, Illinois
2000	54	DAYTON, OHIO
		Greene County
		Miami County
		Montgomery County
		Preble County
2020	none	DAYTONA BEACH, FLORIDA
		*Volusia County
2040	55	DECATUR, ILLINOIS
		Macon County
2080	56	DENVER-BOULDER, COLORADO
		Adams County
		Arapahoe County
		Boulder County
		Denver County
		*Douglas County
		*Gilpin County
		Jefferson County
2120	57	DES MOINES, IOWA
		Polk County
		*Warren County
2160	58	DETROIT, MICHIGAN
		Lapeer County (In PHC-(1)-70)
		Livingston County
		Macomb County
		Oakland County

(continued)

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
		St. Clair County
		Wayne County
2200	59	DUBUQUE, IOWA
		Dubuque County
2240	60	DULUTH-SUPERIOR, MINNESOTA-WISCONSIN
		St. Louis County, Minnesota
		Douglas County, Wisconsin
2290	none	EAU CLAIRE, WISCONSIN
		*Chippewa County
		*Eau Claire County
2320	62	EL PASO, TEXAS
		El Paso County
2335	none	ELMIRA, NEW YORK
		*Chemung County
2360	63	ERIE, PENNSYLVANIA
		Erie County
2400	64	EUGENE-SPRINGFIELD, OREGON
		Lane County
2440	65	EVANSVILLE, INDIANA-KENTUCKY
		*Gibson County, Indiana
		*Posey County, Indiana
		Vanderburgh County, Indiana
		Warrick County, Indiana
		Henderson County, Kentucky
2480	66	FALL RIVER, MASSACHUSETTS-RHODE ISLAND
		Bristol County (part), Massachusetts
		Fall River city
		*Dighton town
		Somerset town
		Swansea town
		Westport town

(continued)

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*/ Report by ZIP Code.

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
		Newport County (part), Rhode Island Little Compton town (In PHC-(1)-166) Portsmouth town (In PHC-(1)-166) Tiverton town
2520/67		FARGO-MOORHEAD, NORTH DAKOTA-MINNESOTA Cass County, North Dakota Clay County, Minnesota
2560/68		FAYETTEVILLE, NORTH CAROLINA Cumberland County
2580/none		FAYETTEVILLE-SPRINGDALE, ARKANSAS *Benton County *Washington County
2600/69		FITCHBURG-LEOMINSTER, MASSACHUSETTS Middlesex County (part) Shirley town Townsend town Worcester County (part) Fitchburg city Leominster city Lunenburg town Westminster town
2640/70		FLINT, MICHIGAN Genesee County *Shiawassee County
2650/none		FLORENCE, ALABAMA *Colbert County *Lauderdale County
2670/none		FORT COLLINS, COLORADO *Larimer County
2680/71		FORT LAUDERDALE-HOLLYWOOD, FLORIDA Broward County
2700/none		FORT MYERS, FLORIDA *Lee County

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
2720/72		FORT SMITH, ARKANSAS-OKLAHOMA Crawford County, Arkansas Sebastian County, Arkansas Le Flore County, Oklahoma Sequoyah County, Oklahoma
2760/73		FORT WAYNE, INDIANA *Adams County Allen County *De Kalb County *Wells County
2840/75		FRESNO, CALIFORNIA Fresno County
2880/76		GADSDEN, ALABAMA Etowah County
2900/77		GAINESVILLE, FLORIDA Alachua County
2920/78		GALVESTON-TEXAS CITY, TEXAS Galveston County
2960/79		GARY-HAMMOND-EAST CHICAGO, INDIANA Lake County Porter County
3000/80		GRAND RAPIDS, MICHIGAN Kent County Ottawa County
3040/81		GREAT FALLS, MONTANA Cascade County
3060/none		GREELEY, COLORADO *Weld County
3080/82		GREEN BAY, WISCONSIN Brown County

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*/ Report by ZIP Code.

SMSA AREA CODE / PHC(1) REPORT NUMBERS	AREA TITLE
3120/83	GREENSBORO-WINSTON-SALEM-HIGH POINT, NORTH CAROLINA
	*Davidson County
	Forsyth County
	Guilford County
	Randolph County
	*Stokes County
	Yadkin County
3160/84	GREENVILLE-SPARTANBURG, SOUTH CAROLINA
	Greenville County
	Pickens County
	*Spartanburg County
3200/85	HAMILTON-MIDDLETOWN, OHIO
	Butler County
3240/86	HARRISBURG, PENNSYLVANIA
	Cumberland County
	Dauphin County
	Perry County
3280/87	HARTFORD, CONNECTICUT
	Hartford County (part)
	Hartford city
	Avon town
	Bloomfield town
	Canton town
	East Granby town
	East Hartford town
	East Windsor town
	Enfield town
	Farmington town
	Glastonbury town
	Granby town
	Manchester town
	Marlborough town
	Newington town
	Rocky Hill town
	Simsbury town
	South Windsor town
	Suffield town

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*/ Report by ZIP Code.

SMSA AREA CODE / PHC(1) REPORT NUMBERS	AREA TITLE
	West Hartford town
	Wethersfield town
	Windsor town
	Windsor Locks town
	Litchfield County (part)
	*New Hartford town
	Middlesex County (part)
	Cromwell town
	*East Hampton town
	*Portland town
	New London County (part)
	Colchester town (In PHC-(1)-143)
	Tolland County (part)
	Andover town
	Bolton town
	*Columbia town
	Coventry town
	Ellington town
	Hebron town
	*Stafford town
	Tolland town
	Vernon town
	*Willington town
3320/88	HONOLULU, HAWAII
	Honolulu County
3360/89	HOUSTON, TEXAS
	Brazoria County
	Fort Bend County
	Harris County
	Liberty County
	Montgomery County
	Waller County
3400/90	HUNTINGTON-ASHLAND, WEST VIRGINIA-KENTUCKY-OHIO
	Cabell County, West Virginia
	Wayne County, West Virginia
	Boyd County, Kentucky
	Greenup County, Kentucky
	Lawrence County, Ohio

SMSA AREA CODE PHC(1) REPORT NUMBERS	AREA TITLE
3440/91	HUNTSVILLE, ALABAMA
	Limestone County
	Madison County
	*Marshall County
3480/92	INDIANAPOLIS, INDIANA
	Boone County
	Hamilton County
	Hancock County
	Hendricks County
	Johnson County
	Marion County
	Morgan County
	Shelby County
3520/93	JACKSON, MICHIGAN
	Jackson County
3560/94	JACKSON, MISSISSIPPI
	Hinds County
	Rankin County
3600/95	JACKSONVILLE, FLORIDA
	*Baker County
	*Clay County
	Duval County
	*Nassau County
	*St. Johns County
3640/96	JERSEY CITY, NEW JERSEY
	Hudson County
3660/none	JOHNSON CITY-KINGSPORT-BRISTOL, TENNESSEE-VIRGINIA
	*Carter County, Tennessee
	*Hawkins County, Tennessee
	*Sullivan County, Tennessee
	*Unicoi County, Tennessee
	*Washington County, Tennessee
	*Bristol city, Virginia
	*Scott County Virginia
	*Washington County, Virginia

SMSA AREA CODE PHC(1) REPORT NUMBERS	AREA TITLE
3680/97	JOHNSTOWN, PENNSYLVANIA
	Cambria County
	Somerset County
3720/98	KALAMAZOO-PORTAGE, MICHIGAN
	Kalamazoo County
	*Van Buren County
3740/none	KANKAKEE, ILLINOIS
	*Kankakee County
3760/99	KANSAS CITY, MISSOURI-KANSAS
	Cass County, Missouri
	Clay County, Missouri
	Jackson County, Missouri
	Platte County, Missouri
	*Ray County, Missouri
	Johnson County, Kansas
	Wyandotte County, Kansas
3800/100	KENOSHA, WISCONSIN
	Kenosha County
3810/none	KILLEEN-TEMPLE, TEXAS
	*Bell County
	*Coryell County
3840/101	KNOXVILLE, TENNESSEE
	Anderson County
	Blount County
	Knox County
	*Union County
3870/none	LA CROSSE, WISCONSIN
	*La Crosse County
3880/102	LAFAYETTE, LOUISIANA
	Lafayette Parish
3920/103	LAFAYETTE-WEST LAFAYETTE, INDIANA
	Tippecanoe County

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*/ Report by ZIP Code.

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
3960	104	LAKE CHARLES, LOUISIANA Calcasieu Parish
3980	none	LAKELAND-WINTER HAVEN, FLORIDA *Polk County
4000	105	LANCASTER, PENNSYLVANIA Lancaster County
4040	106	LANSING-EAST LANSING, MICHIGAN Clinton County Eaton County Ingham County *Ionia County
4080	107	LAREDO, TEXAS Webb County
4120	108	LAS VEGAS, NEVADA Clark County
4160	109	LAWRENCE-HAVERHILL, MASSACHUSETTS-NEW HAMPSHIRE Essex County (part), Massachusetts Haverhill city Lawrence city *Amesbury town Andover town Georgetown town Groveland town Merrimac town Methuen town North Andover town *Salisbury town West Newbury town Rockingham County (part), New Hampshire *Atkinson town *Hampstead town *Kingston town Newton town Plaistow town Salem town *Windham town

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*/ Report by ZIP Code.

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
4200	110	LAWTON, OKLAHOMA Comanche County
4240	111	LEWISTON-AUBURN, MAINE Androscoggin County (part) Auburn city Lewiston city Lisbon town
4280	112	LEXINGTON-FAYETTE, KENTUCKY *Bourbon County *Clark County Fayette County *Jessamine County *Scott County *Woodford County
4320	113	LIMA, OHIO Allen County *Auglaize County Putnam County Van Wert County
4360	114	LINCOLN, NEBRASKA Lancaster County
4400	115	LITTLE ROCK-NORTH LITTLE ROCK, ARKANSAS Pulaski County Saline County
4410	none	LONG BRANCH-ASBURY PARK, NEW JERSEY *Monmouth County
4420	none	LONGVIEW, TEXAS *Gregg County *Harrison County
4440	116	LORAIN-ELYRIA, OHIO Lorain County
4480	117	LOS ANGELES-LONG BEACH, CALIFORNIA Los Angeles County

SMSA AREA CODE / PHC(1) REPORT NUMBERS	AREA TITLE
4520/118	LOUISVILLE, KENTUCKY-INDIANA
	*Bullitt County, Kentucky
	Jefferson County, Kentucky
	*Oldham County, Kentucky
	Clark County, Indiana
	Floyd County, Indiana
4560/119	LOWELL, MASSACHUSETTS-NEW HAMPSHIRE
	Middlesex County (part), Massachusetts
	Lowell city
	Billerica town
	Chelmsford town.
	Dracut town
	Tewksbury town
	Tyngsborough town
	Westford town
	Hillsborough County (part), New Hampshire
	*Pelham town
4600/120	LUBBOCK, TEXAS
	Lubbock County
4640/121	LYNCHBURG, VIRGINIA
	Lynchburg city
	Amherst County
	*Appomattox County
	Campbell County
4680/122	MACON, GEORGIA
	Bibb County
	Houston County
	Jones County
	Twiggs County
4720/123	MADISON, WISCONSIN
	Dane County
4760/124	MANCHESTER, NEW HAMPSHIRE
	Hillsborough County (part)
	Manchester city
	Bedford town
	Goffstown town

(continued)

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*/ Report by ZIP Code.

SMSA AREA CODE / PHC(1) REPORT NUMBERS	AREA TITLE
	Merrimack County (part)
	*Allenstown town
	Hooksett town
	*Pembroke town
	Rockingham County (part)
	*Derry town
	*Londonderry town
4800/125	MANSFIELD, OHIO
	Richland County
4840/239	MAYAGUEZ, PUERTO RICO
	*Anasco Municipio
	*Hormigueros Municipio
	Mayaguez Municipio
4880/126	McALLEN-PHARR-EDINBURG, TEXAS
	Hidalgo County
4900/none	MELBOURNE-TITUSVILLE-COCOA, FLORIDA
	*Brevard County
4920/127	MEMPHIS, TENNESSEE-ARKANSAS-MISSISSIPPI
	Shelby County, Tennessee
	*Tipton County, Tennessee
	Crittenden County, Arkansas
	*DeSoto County, Mississippi
4960/128	MERIDEN, CONNECTICUT
	New Haven County (part)
	Meriden city
5000/129	MIAMI, FLORIDA
	Dade County
5040/130	MIDLAND, TEXAS
	Midland County
5080/131	MILWAUKEE, WISCONSIN
	Milwaukee County
	Ozaukee County
	Washington County
	Waukesha County

SMSA AREA CODE PHC(1) REPORT NUMBERS	AREA TITLE
5120/132	MINNEAPOLIS-ST. PAUL, MINNESOTA-WISCONSIN
	Anoka County, Minnesota
	*Carver County, Minnesota
	*Chisago County, Minnesota
	Dakota County, Minnesota
	Hennepin County, Minnesota
	Ramsey County, Minnesota
	*Scott County, Minnesota
	Washington County, Minnesota
	*Wright County, Minnesota
	*St. Croix County, Wisconsin
5160/133	MOBILE, ALABAMA
	Baldwin County
	Mobile County
5170/134	MODESTO, CALIFORNIA
	Stanislaus County
5200/135	MONROE, LOUISIANA
	Ouachita Parish
5240/136	MONTGOMERY, ALABAMA
	*Autauga County
	Elmore County
	Montgomery County
5280/137	MUNCIE, INDIANA
	Delaware County
5320/138	MUSKEGON-NORTON SHORES-MUSKEGON HEIGHTS, MICHIGAN
	Muskegon County
	*Oceana County
5350/none	NASHUA, NEW HAMPSHIRE
	Hillsborough County (part)
	*Nashua city
	*Amherst town
	*Hudson town
	*Merrimack town
	*Milford town

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*/ Report by ZIP Code.

SMSA AREA CODE PHC(1) REPORT NUMBERS	AREA TITLE
5360/139	NASHVILLE-DAVIDSON, TENNESSEE
	*Cheatham County
	Davidson County
	*Dickson County
	*Robertson County
	*Rutherford County
	Sumner County
	*Williamson County
	Wilson County
5380/none	NASSAU-SUFFOLK, NEW YORK (In PHC-(1)-145)
	Nassau County
	Suffolk County
5400/140	NEW BEDFORD, MASSACHUSETTS
	Bristol County (part)
	New Bedford city
	Acushnet town
	Dartmouth town
	Fairhaven town
	*Freetown town
	Plymouth County (part)
	*Lakeville town
	Marion town
	Mattapoisett town
5440/141	NEW BRITAIN, CONNECTICUT
	Hartford County (part)
	New Britain city
	Berlin town
	Plainville town
	Southington town
5460/none	NEW BRUNSWICK-PERTH AMBOY-SAYREVILLE, NEW JERSEY
	Middlesex County (In PHC-(1)-146)
5480/142	NEW HAVEN-WEST HAVEN, CONNECTICUT
	Middlesex County (part)
	*Clinton town
	New Haven County (part)
	New Haven city
	West Haven city
	Bethany town

(continued)

SMSA AREA CODE PHC(1) REPORT NUMBERS	AREA TITLE
	Branford town
	East Haven town
	Guilford town
	Hamden town
	Madison town
	North Branford town
	North Haven town
	Orange town
	Wallingford town
	Woodbridge town
5520/143	NEW LONDON-NORWICH, CONNECTICUT-RHODE ISLAND
	Middlesex County (part), Connecticut
	*Old Saybrook town
	New London County (part),Connecticut
	New London city
	Norwich city
	Bozrah town
	East Lyme town
	Griswold town
	Groton town
	Ledyard town
	Lisbon town
	Montville town
	Old Lyme town
	Preston town
	Sprague town
	Stonington town
	Waterford town
	Washington County (part), Rhode Island
	Hopkinton town (In PHC-(1)-166)
	Westerly town (In PHC-(1)-166)
5560/144	NEW ORLEANS, LOUISIANA
	Jefferson Parish
	Orleans Parish
	St. Bernard Parish
	St. Tammany Parish
5600/145	NEW YORK, NEW YORK-NEW JERSEY
	Bronx County, New York
	Kings County, New York
	New York County, New York
	*Putnam County, New York
	Queens County, New York

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*/ Report by ZIP Code.

SMSA AREA CODE PHC(1) REPORT NUMBERS	AREA TITLE
	Richmond County, New York
	Rockland County, New York
	Westchester County, New York
	Bergen County, New Jersey (In PHC-(1)-156)
5640/146	NEWARK, NEW JERSEY
	Essex County
	Morris County
	Somerset County
	Union County
5680/147	NEWPORT NEWS-HAMPTON, VIRGINIA
	Hampton city
	Newport News city
	Poquoson city
	Williamsburg city
	*Gloucester County
	James City County
	York County
5720/148	NORFOLK-VIRGINIA BEACH-PORTSMOUTH, VIRGINIA-NORTH CAROLINA
	Chesapeake city, Virginia
	Norfolk city, Virginia
	Portsmouth city, Virginia
	Suffolk city (includes all of Nansemond County), Virginia
	Virginia Beach city, Virginia
	*Currituck County, North Carolina
5745/194 & 233	NORTHEAST PENNSYLVANIA
	Lackawanna County (In PHC-(1)-194)
	Luzerne County (In PHC-(1)-233)
	*Monroe County
5760/149	NORWALK, CONNECTICUT
	Fairfield County (part)
	Norwalk city
	Weston town
	Westport town
	Wilton town
5800/150	ODESSA, TEXAS
	Ector County

SMSA AREA CODE PHC(1) REPORT NUMBERS	AREA TITLE
5880/152	OKLAHOMA CITY, OKLAHOMA
	Canadian County
	Cleveland County
	*McClain County
	Oklahoma County
	*Pottawatomie County
5920/153	OMAHA, NEBRASKA-IOWA
	Douglas County, Nebraska
	Sarpy County, Nebraska
	Pottawattamie County, Iowa
5960/154	ORLANDO, FLORIDA
	Orange County
	*Osceola County
	Seminole County
5990/none	OWENSBORO, KENTUCKY
	*Daviess County
6000/155	OXNARD-SIMI VALLEY-VENTURA, CALIFORNIA
	Ventura County
6020/none	PARKERSBURG-MARIETTA, WEST VIRGINIA-OHIO
	*Wirt County, West Virginia
	*Wood County, West Virginia
	*Washington County, Ohio
6025/none	PASCAGOULA-MOSS POINT, MISSISSIPPI
	*Jackson County
6040/156	PATERSON-CLIFTON-PASSAIC, NEW JERSEY
	Passaic County
6080/157	PENSACOLA, FLORIDA
	Escambia County
	Santa Rosa County
6120/158	PEORIA, ILLINOIS
	Peoria County
	Tazewell County
	Woodford County
6140/none	PETERSBURG-COLONIAL HEIGHTS-HOPEWELL, VIRGINIA
	*Colonial Heights city

(continued)

SMSA AREA CODE PHC(1) REPORT NUMBERS	AREA TITLE
	*Hopewell city
	*Petersburg city
	*Dinwiddie County
	*Prince George County
6160/159	PHILADELPHIA, PENNSYLVANIA-NEW JERSEY
	Bucks County, Pennsylvania
	Chester County, Pennsylvania
	Delaware County, Pennsylvania
	Montgomery County, Pennsylvania
	Philadelphia County, Pennsylvania
	Burlington County, New Jersey
	Camden County, New Jersey
	Gloucester County, New Jersey
6200/160	PHOENIX, ARIZONA
	Maricopa County
6240/161	PINE BLUFF, ARKANSAS
	Jefferson County
6280/162	PITTSBURGH, PENNSYLVANIA
	Allegheny County
	Beaver County
	Washington County
	Westmoreland County
6320/163	PITTSFIELD, MASSACHUSETTS
	Berkshire County (part)
	Pittsfield city
	*Adams town
	*Cheshire town
	Dalton town
	Lanesborough town
	Lee town
	Lenox town
	*Stockbridge town
6360/240	PONCE, PUERTO RICO
	*Juana Diaz Municipio
	Ponce Municipio
	*Villalba Municipio

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*/ Report by ZIP Code.

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
6400/164		PORTLAND, MAINE
		Cumberland County (part)
		Portland city
		South Portland city
		Westbrook city
		Cape Elizabeth town
		Cumberland town
		Falmouth town
		Freeport town
		Gorham town
		Scarborough town
		Windham town
		Yarmouth town
		York County (part)
		*Saco city
		*Old Orchard Beach town
6440/165		PORTLAND, OREGON-WASHINGTON
		Clackamas County, Oregon
		Multnomah County, Oregon
		Washington County, Oregon
		Clark County, Washington
6460/none		POUGHKEEPSIE, NEW YORK
		*Dutchess County
6480/166		PROVIDENCE-WARWICK-PAWTUCKET, RHODE ISLAND-MASSACHUSETTS
		Bristol County, Rhode Island
		Barrington town
		Bristol town
		Warren town
		Kent County (part), Rhode Island
		Warwick city
		Coventry town
		East Greenwich town
		West Warwick town
		Newport County (part), Rhode Island
		Jamestown town
		Providence County (part), Rhode Island
		Central Falls city
		Cranston city

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*/ Report by ZIP Code.

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
		East Providence city
		Pawtucket city
		Providence city
		Woonsocket city
		Burrillville town
		Cumberland town
		Johnston town
		Lincoln town
		North Providence town
		North Smithfield town
		Scituate town
		Smithfield town
		Washington County (part), Rhode Island
		Narragansett town
		North Kingstown town
		South Kingstown town
		Bristol County (part), Massachusetts
		Attleboro city
		North Attleborough town
		*Norton town
		Rehoboth town
		Seekonk town
		Norfolk County (part), Massachusetts
		Plainville town
		Worcester County (part), Massachusetts
		Blackstone town
		Millville town
6520/167		PROVO-OREM, UTAH
		Utah County
6560/168		PUEBLO, COLORADO
		Pueblo County
6600/169		RACINE, WISCONSIN
		Racine County
6640/61 & 170		RALEIGH-DURHAM, NORTH CAROLINA
		Durham County
		Orange County
		Wake County
6680/171		READING, PENNSYLVANIA
		Berks County

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
6720/172		RENO, NEVADA
		Washoe County
6740/none		RICHLAND-KENNEWICK, WASHINGTON
		*Benton County
		*Franklin County
6760/173		RICHMOND, VIRGINIA
		Richmond city
		*Charles City County
		Chesterfield County
		*Goochland County
		Hanover County
		Henrico County
		*New Kent County
		*Powhatan County
6780/187		RIVERSIDE-SAN BERNARDINO-ONTARIO, CALIFORNIA
		Riverside County
		San Bernardino County
6800/174		ROANOKE, VIRGINIA
		Roanoke city
		Salem city
		*Botetourt County
		*Craig County
		Roanoke County
6820/175		ROCHESTER, MINNESOTA
		Olmsted County
6840/176		ROCHESTER, NEW YORK
		Livingston County
		Monroe County
		*Ontario County
		Orleans County
		Wayne County
6880/177		ROCKFORD, ILLINOIS
		Boone County
		Winnebago County
6920/178		SACRAMENTO, CALIFORNIA
		Placer County

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*/ Report by ZIP Code.

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
		Sacramento County
		Yolo County
6960/179		SAGINAW, MICHIGAN
		Saginaw County
6980/none		ST. CLOUD, MINNESOTA
		*Benton County
		*Sherburne County
		*Stearns County
7000/180		ST. JOSEPH, MISSOURI
		*Andrew County
		Buchanan County
7040/181		ST. LOUIS, MISSOURI-ILLINOIS
		St. Louis city, Missouri
		Franklin County, Missouri
		Jefferson County, Missouri
		St. Charles County, Missouri
		St. Louis County, Missouri
		*Clinton County, Illinois
		Madison County, Illinois
		Monroe County, Illinois
		St. Clair County, Illinois
7080/182		SALEM, OREGON
		Marion County
		Polk County
7120/183		SALINAS-SEASIDE-MONTEREY, CALIFORNIA
		Monterey County
7160/151 & 184		SALT LAKE CITY-OGDEN, UTAH
		Davis County
		Salt Lake County
		*Tooele County
		Weber County
7200/185		SAN ANGELO, TEXAS
		Tom Green County

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
7240	186	SAN ANTONIO, TEXAS Bexar County *Comal County Guadalupe County
7320	188	SAN DIEGO, CALIFORNIA San Diego County
7360	189	SAN FRANCISCO-OAKLAND, CALIFORNIA Alameda County Contra Costa County Marin County San Francisco County San Mateo County
7400	190	SAN JOSE, CALIFORNIA Santa Clara County
7440	241	SAN JUAN, PUERTO RICO Bayamon Municipio *Canovanas Municipio Carolina Municipio Catano Municipio Guaynabo Municipio *Loiza Municipio San Juan Municipio *Toa Baja Municipio Trujillo Alto Municipio
7480	191	SANTA BARBARA-SANTA MARIA-LOMPOC, CALIFORNIA Santa Barbara County
7485	none	SANTA CRUZ, CALIFORNIA *Santa Cruz County
7500	192	SANTA ROSA, CALIFORNIA Sonoma County
7510	none	SARASOTA, FLORIDA *Sarasota County

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
7520	193	SAVANNAH, GEORGIA *Bryan County Chatham County *Effingham County
7600	195	SEATTLE-EVERETT, WASHINGTON King County Snohomish County
7640	196	SHERMAN-DENISON, TEXAS Grayson County
7680	197	SHREVEPORT, LOUISIANA Bossier Parish Caddo Parish *Webster Parish
7720	198	SIOUX CITY, IOWA-NEBRASKA Woodbury County, Iowa Dakota County, Nebraska
7760	199	SIOUX FALLS, SOUTH DAKOTA Minnehaha County
7800	200	SOUTH BEND, INDIANA Marshall County St. Joseph County
7840	201	SPOKANE, WASHINGTON Spokane County
7880	202	SPRINGFIELD, ILLINOIS *Menard County Sangamon County
7920	203	SPRINGFIELD, MISSOURI *Christian County Greene County
7960	204	SPRINGFIELD, OHIO *Champaign County Clark County

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*/ Report by ZIP Code.

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
8000	205	SPRINGFIELD-CHICOPEE-HOLYOKE, MASSACHUSETTS-CONNECTICUT
		Hampden County (part) Massachusetts
		Chicopee city
		Holyoke city
		Springfield city
		Westfield city
		Agawam town
		East Longmeadow town
		Hampden town
		Longmeadow town
		Ludlow town
		Monson town
		Palmer town
		Southwick town
		West Springfield town
		Wilbraham town
		Hampshire County (part), Massachusetts
		Northampton city
		Belchertown town
		Easthampton town
		Granby town
		Hadley town
		Hatfield town
		South Hadley town
		Southampton town
		Worcester County (part), Massachusetts
		Warren town
		Tolland County (part), Connecticut
		Somers town
8040	206	STAMFORD, CONNECTICUT
		Fairfield County (part)
		Stamford city
		Darien town
		Greenwich town
		New Canaan town
8080	207	STEUBENVILLE-WEIRTON, OHIO-WEST VIRGINIA
		Jefferson County, Ohio
		Brooke County, West Virginia
		Hancock County, West Virginia

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
8120	208	STOCKTON, CALIFORNIA
		San Joaquin County
8160	209	SYRACUSE, NEW YORK
		Madison County
		Onondaga County
		Oswego County
8200	210	TACOMA, WASHINGTON
		Pierce County
8240	211	TALLAHASSEE, FLORIDA
		Leon County
		*Wakulla County
8280	212	TAMPA-ST. PETERSBURG, FLORIDA
		Hillsborough County
		*Pasco County
		Pinellas County
8320	213	TERRE HAUTE, INDIANA
		Clay County
		Sullivan County
		Vermillion County
		Vigo County
8360	214	TEXARKANA, TEXAS-TEXARKANA, ARKANSAS
		Bowie County, Texas
		*Little River County, Arkansas
		Miller County, Arkansas
8400	215	TOLEDO, OHIO-MICHIGAN
		*Fulton County, Ohio
		Lucas County, Ohio
		*Ottawa County, Ohio
		Wood County, Ohio
		Monroe County, Michigan
8440	216	TOPEKA, KANSAS
		*Jefferson County
		*Osage County
		Shawnee County

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*/ Report by ZIP Code.

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
8480	217	TRENTON, NEW JERSEY Mercer County
8520	218	TUCSON, ARIZONA Pima County
8560	219	TULSA, OKLAHOMA Creek County *Mayes County Osage County *Rogers County Tulsa County *Wagoner County
8600	220	TUSCALOOSA, ALABAMA Tuscaloosa County
8640	221	TYLER, TEXAS Smith County
8680	222	UTICA-ROME, NEW YORK Herkimer County Oneida County
8720	223	VALLEJO-FAIRFIELD-NAPA, CALIFORNIA Napa County Solano County
8760	224	VINELAND-MILLVILLE-BRIDGETON, NEW JERSEY Cumberland County
8800	225	WACO, TEXAS McLennan County
8840	226	WASHINGTON, D. C.-MARYLAND-VIRGINIA District of Columbia *Charles County, Maryland Montgomery County, Maryland Prince Georges County, Maryland Alexandria city, Virginia Fairfax city, Virginia Falls Church city, Virginia Manassas city, Virginia Manassas Park city, Virginia

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*/ Report by ZIP Code.

SMSA AREA CODE	PHC(1) REPORT NUMBERS	AREA TITLE
		Arlington County, Virginia Fairfax County, Virginia Loudoun County, Virginia Prince William County, Virginia
8880	227	WATERBURY, CONNECTICUT Litchfield, County (part) Thomaston town Watertown town Woodbury town New Haven County (part) Waterbury city Naugatuck borough Beacon Falls town Cheshire town Middlebury town Prospect town Southbury town Wolcott town
8920	228	WATERLOO-CEDAR FALLS, IOWA Black Hawk County
8960	229	WEST PALM BEACH-BOCA RATON, FLORIDA Palm Beach County
9000	230	WHEELING, WEST VIRGINIA-OHIO Marshall County, West Virginia Ohio County, West Virginia Belmont County, Ohio
9040	231	WICHITA, KANSAS Butler County Sedgwick County
9080	232	WICHITA FALLS, TEXAS Clay County Wichita County
9140	none	WILLIAMSPORT, PENNSYLVANIA *Lycoming County

SMSA AREA CODE / PHC(1) REPORT NUMBERS	AREA TITLE
9160/234	WILMINGTON, DELAWARE-NEW JERSEY-MARYLAND
	New Castle County, Delaware
	Salem County, New Jersey
	Cecil County, Maryland
9200/235	WILMINGTON, NORTH CAROLINA
	Brunswick County
	New Hanover County
9240/236	WORCESTER, MASSACHUSETTS
	Worcester County (part)
	Worcester city
	Auburn town
	Berlin town
	Boylston town
	Brookfield town
	Charlton town
	East Brookfield town
	Grafton town
	Holden town
	Leicester town
	Millbury town
	Northborough town
	Northbridge town
	North Brookfield town
	Oxford town
	Paxton town
	Shrewsbury town
	Spencer town
	Sterling town
	Sutton town
	Upton town
	Uxbridge town
	Webster town
	Westborough town
	West Boylston town
9260/none	YAKIMA, WASHINGTON
	*Yakima County

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*/ Report by ZIP Code.

SMSA AREA CODE / PHC(1) REPORT NUMBERS	AREA TITLE
9280/237	YORK, PENNSYLVANIA
	Adams County
	York County
9320/238	YOUNGSTOWN-WARREN, OHIO
	Mahoning County
	Trumbull County

GPO 906-804

PART 8

FAIR CREDIT REPORTING ACT

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PART 8

FAIR CREDIT REPORTING ACT

A. WHAT IS THE FAIR CREDIT REPORTING ACT?

Congress passed the Fair Credit Reporting Act to eliminate abuses of individuals' rights within the credit reporting industry. The basic purpose of this Act is to ensure that consumer reporting agencies adopt reasonable procedures for providing information to credit grantors, insurers, employers and others in a manner that is fair and equitable to the consumer with regard to confidentiality, accuracy and proper use of information.

The Act is designed to regulate the credit reporting industry, place disclosure obligations on users of credit reports and ensure fair, timely and accurate reporting of credit information. For the most part, the consumer reporting industry is composed of credit bureaus, investigative reporting companies and similar organizations whose business is gathering and reporting information about consumers for use by others.

The Administrator of the National Credit Union Administration is responsible for determining that Federal credit unions are in compliance with the Fair Credit Reporting Act. The FTC is responsible for its enforcement among State credit unions.

B. HOW DOES THE FAIR CREDIT REPORTING ACT AFFECT CREDIT UNIONS?

The Act applies to credit reporting agencies *and* those who use (1) reports of reporting agencies, (2) credit information from other sources or (3) investigative consumer reports. Each of these circumstances can apply to a credit union.

Credit unions are most likely to be subject to FCRA as users of credit reports. For example, if a credit union denies a member's request for credit on the basis of information received from a credit reporting agency or other source, it must provide certain disclosures to the member (See paragraph E). A credit union which reports information other than its own experience to a third party may be classified as a Consumer Reporting Agency and, therefore, would be subject to the requirements of the Act which apply to Consumer Reporting Agencies (See paragraph G). Finally, credit unions which deny requests for employment on the basis of credit reports or investigative consumer reports must comply with those disclosure requirements of the Act (See paragraph F).

C. PERTINENT DEFINITIONS WITH EXPLANATIONS

Awareness of the meaning of the following terms is necessary if the intent of the FCRA is to be understood. Following each definition is an explanation. These explanations are intended to clarify the definitions and relate them to the activities of credit unions.

1. CONSUMER REPORT

A consumer report (commonly referred to in the credit industry as a credit report) can be written or oral. The information need not be derogatory to constitute a consumer report. Any information good or bad, written or oral, that bears on a consumer's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living will be a consumer report if it is (a) used or expected to be used or (b) collected in whole or in part for the purpose of considering the consumer's eligibility for consumer credit, insurance, employment, or other authorized business purposes.

When a credit union reports information *other than* its own experience, that will usually constitute a consumer report within the meaning of FCRA. An example would be a statement such as "I have no file on Mr. Doe, but I know that he has a poor record of payment at the bank". However, reporting information which only reflects a credit union's own experience would not subject a credit union to the provisions of FCRA. An example of such information would be: My records reflect that Mr. Doe was late on 8 of 12 payments".

2. INVESTIGATIVE CONSUMER REPORT

An Investigative Consumer Report is a report which contains personal information on a consumer, all or a portion of which was developed as a result of an investigation. The information would concern a consumer's character, general reputation, personal characteristics or mode of living which is obtained by personal interviews with friends, neighbors or others who would have such knowledge. Factual information on a consumer's credit record obtained directly from a creditor of the consumer, such as a credit union or a credit bureau, would not be considered an Investigative Consumer Report.

These reports are usually used by insurance companies or, on occasion, in connection with a personnel or employment report. Rarely, if ever, will a credit union use an Investigative Consumer Report. One of the few occasions may be where a credit union believes it needs information on the personal life of a prospective credit union employee.

Federal credit unions are cautioned to limit the information given to or obtained from other organizations to factual information. If information given or received concerns the person's character, general reputation or habits, an Investigative Consumer Report would have been made and the disclosure requirements of such a report, as discussed under Section 606—Investigative Disclosure of Consumer Reports, would have to be complied with.

3. CONSUMER REPORTING AGENCY

A Consumer Reporting Agency is any person or organization (including a credit union) which for a fee, dues or on a cooperative nonprofit basis provides or evaluates information constituting a credit report for the use of third parties. Whenever a credit union regularly furnishes consumer reports to a third party or parties it is considered a Consumer Reporting Agency in at least that instance and must comply with those requirements of the Act.

D. WHAT RIGHTS DOES A MEMBER HAVE UNDER THIS ACT?

A Member has the following Rights:

(a) The Right to be told the name and address of the Consumer Reporting Agency responsible for preparing a consumer report that was used to deny him credit, insurance or employment or to increase the cost of credit or insurance.

(b) The Right (at any time and for any reason) to be told the nature, substance and sources (except investigative-type sources) of information (except medical) collected about him by a Consumer Reporting Agency, although the member must go to the Consumer Reporting Agency for this information.

(c) The Right to take anyone of his choosing with him when he visits the Consumer Reporting Agency.

(d) The Right to obtain this information free of charge when he has been denied credit, insurance, or employment within 30 days of his interview. Otherwise, the reporting agency is permitted to charge a reasonable fee for making the disclosure.

(e) The Right to be told who has received a consumer report on him within the preceding two years (if the report was furnished for employment purposes).

(f) The Right, in most instances, to have incomplete or incorrect information re-investigated and, if the information is found to be inaccurate or cannot be verified, to have such information removed from the file.

(g) The Right to have the agency notify those he names (at no cost to him) who have previously received the incorrect or incomplete information that the information has been deleted

(h) The Right, when a dispute between him and the reporting agency cannot be resolved, to have his version of the dispute placed in the file and included in subsequent consumer reports.

(i) The Right to request the agency to send his version of the dispute to certain businesses without charge if requested within 30 days of the adverse action.

(j) The Right to have a consumer report withheld from anyone who under the law does not have a legitimate business need for the information.

(k) The Right to sue a company for damages if it willfully or negligently violates the law and, if successful, to collect attorney's fees and court costs.

(l) The Right not to have most adverse information reported after seven years. One major exception is bankruptcy, which may be reported for 14 years.

(m) The Right to be notified of the fact that a company is seeking information which would constitute an "investigative consumer report".

(n) The Right to request from a company that ordered an investigative report, further information as to the nature and scope of the investigation.

(o) The Right to discover the nature and substance (but not the sources) of the information that was collected for an "investigative consumer report".

The Act does not give the member the right to obtain a copy of his report from the Consumer Reporting Agency, although some agencies will voluntarily do so.

E. CREDIT UNIONS AS USERS OF CONSUMER REPORTS

When they are users of consumer (i.e. credit) reports, credit unions will have to disclose certain information (depending on the source of the information) whenever an adverse action such as denial of credit is taken on the basis of such reports. While such disclosures may be made orally, it is strongly recommended that they be made in writing. The disclosure forms developed for notifying applicants of adverse actions under Regulation B are adequate for meeting these FCRA disclosure requirements.

Whenever a member is denied credit and the denial is based wholly or partly on a consumer report, the user of the information (credit union) must advise the member that the information in the consumer report caused or contributed to the denial and inform the member of the name and address of the consumer reporting agency which issued the report. (It is important to note that these disclosure requirements also apply to situations where employment is denied on a similar basis.)

Whenever a credit union rejects a request for credit either wholly or partially on the basis of information obtained from a source other than a consumer reporting agency (such as a credit union or another type of creditor) the credit union must inform the member of the adverse action. This is also required by Regulation B. It must also clearly and accurately disclose to such members their right to make a written request for disclosure of the nature of the information that resulted in the adverse action. These disclosures would normally all be made on the same form. If the member makes such a request within 60 days of being notified of the action taken, the user of the information (credit union) must, within a reasonable period of time, disclose the nature of the information on which the decision was based. However, where the source of information is *other than* a Consumer Reporting Agency, the credit union is not required to reveal the identity of the person or organization which supplied the information.

F. CREDIT UNIONS AS USERS OF INVESTIGATIVE CONSUMER REPORTS

A credit union may not obtain or cause to be prepared an investigative consumer report unless it clearly and accurately discloses within 3 days to the person being investigated the fact that the report may be made. The disclosure must be clear, conspicuous and in writing in a form which the person may retain either on a sheet of paper separate from the employment or credit application, or incorporated into the application.

The disclosure must contain three things. First, it must inform the consumer that an "investigative consumer report" may be requested. Second, it must disclose what is meant by this term (that is, interviews with neighbors, friends and associates to determine the applicant's general reputation, personal characteristics and mode of living). Third, it must inform him that he has the right to make a written request, within a reasonable period of time, for a "complete and accurate" statement as to the "nature and scope" of the investigation which is being requested. Further, if the person requests such information, it must be provided to him not later than five days after his request is received.

An example of acceptable wording which may be used to inform the member or applicant for employment that an Investigative Consumer Report may be made is as follows:

(1) When a separate notice is used:

> This is to inform you that as part of our procedure for processing your (credit) (employment) application an investigative consumer report may be prepared whereby information is obtained through personal interviews with your neighbors, friends, or others with whom you are acquainted. This inquiry includes information as to your character, general reputation, personal characteristics and mode of living. You have the right to make a written request within a reasonable period of time to receive additional,

detailed information about the nature and scope of this investigation.

(2) When disclosed in the application:

In making this application for credit (for employment) it is understood that an investigative consumer report may be prepared whereby information is obtained through personal interviews with your neighbors, friends, or others with whom you are acquainted. This inquiry includes information as to your character, general reputation, personal characteristics and mode of living. You have the right to make a written request within a reasonable period of time to receive additional, detailed information about the nature and scope of this investigation.

Disclosures incorporated into an insurance or employment application, or other documents must be clear, conspicuous, separately stated, and placed so as likely to be read.

G. CREDIT UNIONS AS CONSUMER REPORTING AGENCIES

Rarely do credit unions report more than their own experience with members. However, where a credit union does report information from other sources (including the sponsor or other creditors), it may be considered a consumer reporting agency for the purposes of the Fair Credit Reporting Act. If this is the case, the credit union must:

(a) make required disclosures upon request and proper identification

(b) remove obsolete information from its files

(c) resolve accuracy disputes with members

(d) provide reports only for legitimate purposes

(e) keep a dated record of each recipient of information about a member, even when the information was provided in response to an oral inquiry

(f) require and retain certifications as prescribed in Section 607 of the Fair Credit Reporting Act

(g) have proper internal control procedures in the safeguarding and disclosure of information.

H. CIVIL LIABILITY FOR WILLFUL AND/OR NEGLIGENT NONCOMPLIANCE

Any Consumer Reporting Agency or user of information that willfully fails to comply with any requirement of the Act is liable to the consumer in an amount equal to actual and punitive damages and legal costs. If the noncompliance is determined to be due to negligent noncompliance, the consumer would be entitled to actual damages and legal costs.

I. RELATIONSHIP TO STATE LAWS

The Fair Credit Reporting Act does not preempt or change any provisions of the laws of any State which address the collection, distribution or use of any information on consumers, except to the extent that those laws are inconsistent with any provision of the FCRA, and then only to the extent of the inconsistency.

J. IMPORTANT POINTS TO REMEMBER

(a) When a Federal Credit union gives out information based solely on its own transactions with the consumer to another credit union or to a credit bureau, it is not acting as a Consumer Reporting Agency.

(b) When a Federal credit union gives another credit union or a credit bureau information on a member reported to it by another person or organization, it is considered a Consumer Reporting Agency, and (with regard to that account) it must comply with all the sections of the Act relating to Consumer Reporting agencies concerning that member.

(c) When a Federal credit union obtains information on a member from a Consumer Reporting Agency (which would in most instances be a credit bureau) and based either partially or wholly on that information denies the member credit, the credit union must give the member the name and address of the agency that made the report.

(d) When a Federal credit union obtains information from another credit union or from a creditor of the member and based either partially or wholly on that information denies the member credit, the credit union must, at the time the member is informed of the denial of credit, tell the member that he has a right to make a written request within 60 days to learn the nature of the information on which the denial of credit was based. If, within the 60 day period, the member does request the information it must be furnished to him either orally or in writing. However, the credit union is not required to reveal the source of the information to the member.

(e) If a credit union denies a member credit because of information it has in its own files (which it has not obtained from outside sources) or on information given to it by the member, the credit union is not required under the Act to disclose the nature of the information on which the denial of credit was based. However, most credit unions do give the member this information as a matter of courtesy to counsel him in resolving his financial problems.

(f) If for some reason a Federal credit union decides to obtain an Investigative Consumer Report it is required to inform the consumer and follow the notification and disclosure procedure set forth in the statute.

K. QUESTIONS AND EXPLANATIONS TO HELP YOU DETERMINE WHETHER YOUR CREDIT UNION IS IN COMPLIANCE WITH THE FAIR CREDIT REPORTING ACT

The following checklist is being provided so that you can determine whether your credit union is in compliance with the FCRA. Should you find, after completing the checklist, that any of your credit union's procedures are not in compliance with the requirements of FCRA, it is suggested that you make the necessary corrections immediately. If your answers to questions 3 thru 6 are "yes," your credit union is probably in compliance.

QUESTIONS	EXPLANATIONS
1. Does your credit union ever report (verbally, in writing or otherwise) more than its own experiences or transactions with a member? (If yes, question #5 must be completed.)	1. If a credit union passes any information other than information solely as to its own transactions or experiences with a member, it may be considered a consumer reporting agency with regard to that "report". See Section 603(f) of FCRA.
2. Does your credit union request/use credit-related information from any outside source? (If both answers are No, STOP.)	2. Outside source could include information from the sponsor organization: (Examples include information from the personnel files or information from the front office for associational groups.) As well, it would include other creditors or consumer/credit reporting agencies.
3. If the credit union denies credit or requires additional collateral based upon information obtained from a consumer report, is the member routinely advised (orally or in writing) at the time of the rejection that a) the report contributed to the denial of credit, and b) the name and address of the consumer or credit reporting agency?	3. A consumer report is any report (written or oral) issued by a consumer/credit reporting agency (a) which has a bearing on a consumer's creditworthiness, character, etc. and (b) which is expected to be used to determine the consumer's eligibility for consumer credit. The nature of the information in the credit report does not have to be disclosed by the FCU.
4. If the credit union denies credit based on information obtained from a source other than a consumer or credit reporting agency, is the member routinely informed at the time of the re-	4. Nature of the information would include: income is not what it was represented to be, debts are greater than represented, debts are not as current as represented, etc. The nature of the information should be given with enough detail to enable a member to question the accuracy of the information if he believes it is wrong. The source of the information does not have to be disclosed. However, it may be impos-

QUESTIONS *(Continued)*	EXPLANATIONS *(Continued)*
jection that he has the right to know "the nature of the information" and that this information will be provided to him if a written request from him is received by the credit union within 60 days?	sible to identify the "nature" of certain information without also revealing the source (i.e., you will be fired tomorrow!)
5. Where the credit union reports more than its own experiences with members, does it (with regard to those reports): a) make required disclosures to members upon request and proper identification? b) remove obsolete information from its files? c) resolve accuracy disputes with members? d) provide reports only for legitimate purposes? e) keep a dated record of each recipient of information about a member even when the inquiry is oral? f) as a provider of consumer credit reports, require and retain certifications as prescribed in Section 607 of the Fair Credit Reporting Act? g) have proper internal control procedures in the safeguarding and disclosure of information? (If the answer to any of these questions is no, mark no.)	5. Many times the board will be unaware that the FCU is functioning as a Credit Reporting Agency (CRA) under FCRA. When the FCU is found to be functioning as one, the FCU must provide for compliance with requirements listed in (a) thru (g) of the question. If any portion is "no", the FCU is in non-compliance. It should be noted that the FCU is a CRA only for those transactions where more than the FCU's own experiences or transactions were relayed. See Manual of Laws for additional information regarding CRA requirements.
6. If the FCU ever obtains Investigative Consumer Reports or causes them to be prepared, does it notify the member in writing within 3 days after ordering the report that (a) an investigative report may be made and (b) the member has a right to request a written disclosure of the nature and scope of the report?	6. An investigative consumer report is one which contains personal information (character, reputation, living habits, etc.) developed as a result of an investigation and based primarily on observations or opinions (as opposed to a factual consumer report).

Appendix A

The Fair Credit Reporting Act
Public Law 91-508

Section 601. The Consumer Credit Protection Act is amended by adding at the end thereof the following new title:

"TITLE VI—CONSUMER CREDIT REPORTING

"Sec.
"601. Short title.
"602. Findings and purpose.
"603. Definitions and rules and construction.
"604. Permissible purposes of reports.
"605. Obsolete information.
"606. Disclosure of investigative consumer reports.
"607. Compliance procedures.
"608. Disclosures to governmental agencies.
"609. Disclosures to consumers.
"610. Conditions of disclosure to consumers.
"611. Procedure in case of disputed accuracy.
"612. Charges for certain disclosures.
"613. Public record information for employment purposes.
"614. Restrictions on investigative consumer reports.
"615. Requirements on users of consumer reports.
"616. Civil liability for willful noncompliance.
"617. Civil liability for grossly negligent noncompliance.
"618. Jurisdiction of courts; limitation of actions.
"619. Obtaining information under false pretenses.
"620. Unauthorized disclosures by officers or employees.
"621. Administrative enforcement.
"622. Relation to State laws.

"§ 601. Short title

"This title may be cited as the Fair Credit Reporting Act.

"§ 602. Findings and purpose

"(a) The Congress makes the following findings:

"(1) The banking system is dependent upon fair and accurate credit reporting. Inaccurate credit reports directly impair the efficiency of the banking system, and unfair credit reporting methods undermine the public confidence which is essential to the continued functioning of the banking system.

"(2) An elaborate mechanism has been developed for investigating and evaluating the credit worthiness, credit standing, credit capacity, character, and general reputation of consumers.

"(3) Consumer reporting agencies have assumed a vital role in assembling and evaluating consumer credit and other information on consumers.

"(4) There is a need to ensure that consumer reporting agencies exercise their grave responsibilities with fairness, impartiality, and a respect for the consumer's right to privacy.

"(b) It is the purpose of this title to require that consumer reporting agencies adopt reasonable procedures for meeting the needs of commerce for consumer credit, personnel, insurance, and other information in a manner which is fair and equitable to the consumer, with regard to the confidentiality, accuracy, relevancy, and proper utilization of such information in accordance with the requirements of this title.

"§ 603. Definitions and rules and construction

"(a) Definitions and rules of construction set forth in this section are applicable for the purposes of this title.

"(b) The term 'person' means any individual, partnership, corporation, trust, estate, cooperative, association, government or governmental subdivision or agency, or other entity.

"(c) The term 'consumer' means an individual.

"(d) The term 'consumer report' means any written, oral, or other communication of any information by a consumer reporting agency bearing on a consumer's credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living which is used or expected to be used or collected in whole or in part for the purpose of serving as a factor in establishing the consumer's eligibility for (1) credit or insurance to be used primarily for personal, family, or household purposes, or (2) employment purposes, or (3) other purposes authorized under section 604. The term does not include (A) any report containing information solely as to transactions or experiences between the consumer and the person making the report; (B) any authorization or approval of a specific extension of credit directly or indirectly by the issuer of a credit card or similar device; or (C) any report in which a person who has been requested by a third party to make a specific extension of credit directly or indirectly to a consumer conveys his decision with respect to such request, if the third party advises the consumer of the name and address of the person to whom the request was made and such person makes the disclosures to the consumer required under section 615.

"(e) The term 'investigative consumer report' means a consumer report or portion thereof in which information on a consumer's character, general reputation, personal characteristics, or mode of living is obtained through personal interviews with neighbors, friends, or associates of the consumer reported on or with others with whom he is acquainted or who may have knowledge concerning any such items of information. However, such information shall not include specific factual information on a consumer's credit record obtained directly from a creditor of the consumer or from a consumer reporting agency when such information was obtained directly from a creditor of the consumer or from the consumer.

"(f) The term 'consumer reporting agency' means any person which, for monetary fees, dues, or on a cooperative nonprofit basis, regularly engages in whole or in part in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing consumer reports to third parties, and which uses any means or facility of interstate commerce for the purpose of preparing or furnishing consumer reports.

"(g) The term 'file', when used in connection with information on any consumer, means all of the information on that consumer recorded and retained by a consumer reporting agency regardless of how the information is stored.

"(h) The term 'employment purposes' when used in connection with a consumer report means a report used for the purpose of evaluating a consumer for employment, promotion, reassignment or retention as an employee.

"(i) The term 'medical information' means information or records obtained, with the consent of the individual to whom it relates, from licensed physicians or medical practitioners, hospitals, clinics, or other medical or medically related facilities.

"§ 604. Permissible purposes of reports

"A consumer reporting agency may furnish a consumer report under the following circumstances and no other:

"(1) In response to the order of a court having jurisdiction to issue such an order.

"(2) In accordance with the written instructions of the consumer to whom it relates.

"(3) To a person which it has reason to believe—

"(A) intends to use the information in connection with a credit transaction involving the consumer on whom the information is to be furnished and involving the extension of credit to, or review or collection of an account of, the consumer; or

"(B) intends to use the information for employment purposes; or

"(C) intends to use the information in connection with the underwriting of insurance involving the consumer; or

"(D) intends to use the information in connection with a determination of the consumer's eligibility for a license or other benefit granted by a governmental instrumentality required by law to consider an applicant's financial responsibility or status; or

"(E) otherwise has a legitimate business need for the information in connection with a business transaction involving the consumer.

"§ 605. Obsolete information

"(a) Except as authorized under subsection (b), no consumer reporting agency may make any consumer report containing any of the following items of information:

"(1) Bankruptcies which, from date of adjudication of the most recent bankruptcy, antedate the report by more than fourteen years.

"(2) Suits and judgments which, from date to entry, antedate the report by more than seven years or until the governing statute of limitations has expired, whichever is the longer period.

"(3) Paid tax liens which, from date of payment, antedate the report by more than seven years.

"(4) Accounts placed for collection or charged to profit and loss which antedate the report by more than seven years.

"(5) Records of arrest, indictment or conviction of crime which, from date of disposition, release or parole, antedate the report by more than seven years.

"(6) Any other adverse item of information which antedates the report by more than seven years.

"(b) The provisions of subsection (a) are not applicable in the case of any consumer credit report to be used in connection with—

"(1) a credit transaction involving, or which may reasonably be expected to involve, a principal amount of $50,000 or more;

"(2) the underwriting of life insurance involving, or which may reasonably be expected to involve, a principal amount of $50,000 or more; or

"(3) the employment of any individual at an annual salary which equals, or which may reasonably be expected to equal, $20,000 or more.

"§ 606. Disclosure of investigative consumer reports

"(a) A person may not procure or cause to be prepared an investigative consumer report on any consumer unless—

"(1) it is clearly and accurately disclosed to the consumer that an investigative consumer report including information as to his character, general reputation, personal characteristics, and mode of living, whichever are applicable, may be made, and such disclosure (A) is made in a writing mailed, or otherwise delivered to the consumer, not later than three days after the date on which the report was first requested, and (B) includes a statement informing the consumer of his right to request the additional disclosures provided for under subsection (b) of this section; or

"(2) the report is to be used for employment purposes for which the consumer has not specifically applied.

"(b) Any person who procures or causes to be prepared an investigative consumer report on any consumer shall, upon written request by the consumer within a reasonable period of time after the receipt by him of the disclosure required by subsection (a) (1), shall make a complete and accurate disclosure of the nature and scope of the investigation requested. This disclosure shall be made in a writing mailed, or otherwise delivered, to the consumer not later than five days after the date on which the request for such disclosure was received from the consumer or such report was first requested, whichever is the later.

"(c) No person may be held liable for any violation of subsection (a) or (b) of this section if he shows by a preponderance of the evidence that at the time of the violation he maintained reasonable procedures to assure compliance with subsection (a) or (b).

"§ 607. Compliance procedures

"(a) Every consumer reporting agency shall maintain reasonable procedures designed to avoid violations of section 605 and to limit the furnishing of consumer reports to the purposes listed under section 604. These procedures shall require that prospective users of the information identify themselves, certify the purposes for which the information is sought, and certify that the information will be used for no other purpose. Every consumer reporting agency shall make a reasonable effort to verify the identity of a new prospective user and the uses certified by such prospective user prior to furnishing such user a consumer report. No consumer reporting agency may furnish a consumer report to any person if it has reasonable grounds for believing that the consumer report will not be used for a purpose listed in section 604.

"(b) Whenever a consumer reporting agency prepares a consumer report it shall follow reasonable procedures to assure maximum possible accuracy of the information concerning the individual about whom the report relates.

"§ 608. Disclosures to governmental agencies

Notwithstanding the provisions of section 604, a consumer reporting agency may furnish identifying information respecting any consumer, limited to his name, address, former addresses, places of employment, or former places of employment, to a governmental agency.

"§ 609. Disclosures to consumers

"(a) Every consumer reporting agency shall, upon request and proper identification of any consumer, clearly and accurately disclose to the consumer:

"(1) The nature and substance of all information (except medical information) in its files on the consumer at the time of the request.

"(2) The sources of the information except that the sources of information acquired solely for use in preparing an investigative consumer report and actually used for no other purpose need not be disclosed *Provided:* That in the event an action is brought under this title, such sources shall be available to the plantiff under appropriate discovery procedures in the court in which the action is brought.

"(3) The recipients of any consumer report on the consumer which it has furnished—

"(A) for employment purposes within the two-year period preceding the request, and

"(B) for any other purpose within the six-month period preceding the request.

"(b) The requirements of subsection (a) respecting the disclosure of sources of information and the recipients of consumer reports do not apply to information received or consumer reports furnished prior to the effective date of this title except to the extent that the matter involved is contained in the files of the consumer reporting agency on that date.

"§ 610. Conditions of disclosure to consumers

"(a) A consumer reporting agency shall make the disclosures required under section 609 during normal business hours and on reasonable notice.

"(b) The disclosures required under section 609 shall be made to the consumer—

"(1) in person if he appears in person and furnishes proper identification; or

"(2) by telephone if he has made a written request, with proper identification, for telephone disclosure and the toll charge, if any, for the telephone call is prepaid by or charged directly to the consumer.

"(c) Any consumer reporting agency shall provide trained personnel to explain to the consumer any information furnished to him pursuant to section 609.

"(d) The consumer shall be permitted to be accompanied by one other person of his choosing, who shall furnish reasonable identification. A consumer reporting agency may require the consumer to furnish a written statement granting permission to the consumer reporting agency to discuss the consumer's file in such person's presence.

"(e) Except as noted in sections 616 and 617, no consumer may bring any action or proceeding in the nature of defamation, invasion of privacy, or negligence with respect to the reporting of information against any consumer, reporting agency, any user of information, or any person who furnishes information to a consumer reporting agency, based on information disclosed pursuant to section 609, 610, or 615, except as to false information furnished with malice or willful intent to injure such consumer.

"§ 611. Procedure in case of disputed accuracy

"(a) If the completeness or accuracy of any item of information contained in his file is disputed by a consumer, and such dispute is directly conveyed to the consumer reporting agency by the consumer, the consumer reporting agency shall within a reasonable period of time reinvestigate and record the current status of that information unless it has reasonable grounds to believe that the dispute by the consumer is frivolous or irrelevant. If after such reinvestigation such information is found to be inaccurate or can no longer be verified, the consumer reporting agency shall promptly delete such information. The presence of contradictory information in the consumer's file does not in and of itself constitute reasonable grounds for believing the dispute is frivolous or irrelevant.

"(b) If the reinvestigation does not resolve the dispute, the consumer may file a brief statement setting forth the nature of the dispute. The consumer reporting agency may limit such statements to not more than one hundred words if it provides the consumer with assistance in writing a clear summary of the dispute.

"(c) Whenever a statement of a dispute is filed, unless there is reasonable grounds to believe that it is frivolous or irrelevant, the consumer reporting agency shall, in any subsequent consumer report containing the information in question, clearly note that it is disputed by the consumer and provide either the consumer's statement or a clear and accurate codification or summary thereof.

"(d) Following any deletion of information which is found to be inaccurate or whose accuracy can no longer be verified or any notation as to disputed information, the consumer reporting agency shall, at the request of the consumer, furnish notification that the item has been deleted or the statement, codification or summary pursuant to subsection (b) or (c) to any person specifically designated by the consumer who has within two years prior thereto received a consumer report for employment purposes, or within six months prior thereto received a consumer report for any other purpose, which contained the deleted or disputed information. The consumer reporting agency shall clearly and conspicuously disclose to the consumer his rights to make such a request. Such disclosure shall be made at or prior to the time the information is deleted or the consumer's statement regarding the disputed information is received.

"§ 612. Charges for certain disclosures

"A consumer reporting agency shall make all disclosures pursuant to section 609 and furnish all consumer reports pursuant to section 611(d) without charge to the consumer if, within thirty days after receipt by such consumer of a notification pursuant to section 615 or notification from a debt collection agency affiliated with such consumer reporting agency stating that the consumer's credit rating may be or has been adversely affected, the consumer makes a request under sections 609 or 611(d). Otherwise, the consumer reporting agency may impose a reasonable charge on the consumer for making disclosure to such consumer pursuant to section 609, the charge for which shall be indicated to the consumer prior to making disclosure; and for furnishing notifications, statements, summaries, or codifications, to persons designated by the consumer pursuant to section 611(d), the charge for which shall be indicated to the consumer prior to furnishing such information and shall not exceed the charge that the consumer reporting agency would impose on each designated recipient for a consumer report except that no charge may be made for notifying such persons of the deletion of information which is found to be inaccurate or which can no longer be verified.

"§ 613. Public record information for employment purposes

"A consumer reporting agency which furnishes a consumer report for employment purposes and which for that purpose compiles and reports items of information on consumers which are matters of public record and are likely to have an adverse effect upon a consumer's ability to obtain employment shall—

"(1) at the time such public record information is reported to the user of such consumer report, notify the consumer of the fact that public record information is being reported by the consumer reporting agency, together with the name and address of the person to whom such information is being reported; or

"(2) maintain strict procedures designed to insure that whenever public record information which is likely to have an adverse effect on a consumer's ability to obtain employment is reported it is complete and up to date. For purposes of this paragraph, items of public record relating to arrests, indictments, convictions, suits, tax liens, and outstanding judgments shall be considered up to date if the current public record status of the item at the time of the report is reported.

"§ 614. Restrictions on investigative consumer reports

"Whenever a consumer reporting agency prepares an investigative consumer report, no adverse information in the consumer report (other than information which is a matter of public record) may be included in a subsequent consumer report unless such adverse information has been verified in the process of making such subsequent consumer report, or the adverse information was received within the three-month period preceding the date the subsequent report is furnished.

"§ 615. Requirements on users of consumer reports

"(a) Whenever credit or insurance for personal, family, or household purposes, or employment involving a consumer is denied or the charge for such credit or insurance is increased either wholly or partly because of information contained in a consumer report from a consumer reporting agency, the user of the consumer report shall so advise the consumer against whom such adverse action has been taken and supply the name and address of the consumer reporting agency making the report.

"(b) Whenever credit for personal, family, or household purposes involving a consumer is denied or the charge for such credit is increased either wholly or partly because of information obtained from a person other than a consumer reporting agency bearing upon the consumer's credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living, the user of such information shall, within a reasonable period of time, upon the consumer's written request for the reasons for such adverse action received within sixty days after learning of such adverse action, disclose the nature of the information to the consumer. The user of such information shall clearly and accurately disclose to the consumer his right to make such written request at the time such adverse action is communicated to the consumer.

"(c) No person shall be held liable for any violation of this section if he shows by a preponderance of the evidence that at the time of the alleged violation he maintained reasonable procedures to assure compliance with the provisions of subsections (a) and (b).

"§ 616. Civil liability for willful noncompliance

"Any consumer reporting agency or user of information which willfully fails to comply with any requirement imposed under this title with respect to any consumer is liable to that consumer in an amount equal to the sum of—

"(1) any actual damages sustained by the consumer as a result of the failure;

"(2) such amount of punitive damages as the court may allow, and

"(3) in the case of any successful action to enforce any liability under this section, the costs of the action together with reasonable attorney's fees as determined by the court.

"§ 617. Civil liability for negligent noncompliance

"Any consumer reporting agency or user of information which is negligent in failing to comply with any requirement imposed under this title with respect to any consumer is liable to that consumer in an amount equal to the sum of —

"(1) any actual damages sustained by the consumer as a result of the failure;

"(2) in the case of any successful action to enforce any liability under this section, the costs of the action together with reasonable attorney's fees as determined by the court.

"§ 618. Jurisdiction of courts; limitation of actions.

"An action to enforce any liability created under this title may be brought in any appropriate United States district court without regard to the amount in controversy, or in any other court of competent jurisdiction, within two years from the date on which the liability arises, except that where a defendent has materially and willfully misrepresented any information required under this title to be disclosed to an individual and the information so misrepresented is material to the establishment of the defendent's liability to that individual under this title, the action may be brought at any time within two years after discovery by the individual of the misrepresentation.

"§ 619. Obtaining information under false pretenses

"Any person who knowingly and willfully obtains information on a consumer from a consumer reporting agency under false pretenses shall be fined not more than $5,000 or imprisoned not more than one year, or both.

"§ 620. Unauthorized disclosures by officers or employees

"Any officer or employee of a consumer reporting agency who knowingly and willfully provides information concerning an individual from the agency's files to a person not authorized to receive that information shall be fined not more than $5,000 or imprisoned not more than one year, or both.

"§ 621. Administrative enforcement

"(a) Compliance with the requirements imposed under this title shall be enforced under the Federal Trade Commission Act by the Federal Trade Commission with respect to consumer reporting agencies, and all other persons subject thereto except to the extent that enforcement of the requirements imposed under this title is specifically committed to some other government agency under subsection (b) hereof. For the purpose of the exercise by the Federal Trade Commission of its functions and powers under the Federal Trade Commission Act, a violation of any requirement or prohibition imposed under this title shall constitute an unfair or deceptive act or practice in commerce in violation of section 5(a) of the Federal Trade Commission Act and shall be subject to enforcement by the Federal Trade Commission under section 5(b) thereof with respect to any consumer reporting agency or person subject to enforcement by the Federal Trade Commission pursuant to this subsection, irrespective of whether that person is engaged in commerce or meets any other jurisdictional tests in the Federal Trade Commission Act. The Federal Trade Commission shall have such procedural, investigative, and enforcement powers, including the power to issue procedural rules in enforcing compliance with the requirements imposed under this title and to require the filing of reports, the production of documents, and the appearance of witnesses as though the applicable terms and conditions of the Federal Trade Commission Act were part of this title. Any person violating any of the provisions of this title shall be subject to the penalties and entitled to the privileges and immunities provided in the Federal Trade Commission Act as though the applicable terms and provisions thereof were part of this title.

"(b) Compliance with the requirements imposed under this title with respect to consumer reporting agencies and persons who use consumer reports from such agencies shall be enforced under—

"(1) section 8 of the Federal Deposit Insurance Act, in the case of:

"(A) national banks, by the Comptroller of the Currency;

"(B) member banks of the Federal Reserve System (other than national banks), by the Federal Reserve Board; and

"(C) banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System), by the Board of Directors of the Federal Deposit Insurance Corporation.

"(2) section 5(d) of the Home Owners Loan Act of 1933, section 407 of the National Housing Act, and sections 6(i) and 17 of the Federal Home Loan Bank Act, by the Federal Home Loan Bank Board (acting directly or through the Federal Savings and Loan Insurance Corporation), in the case of any institution subject to any of those provisions;

"(3) the Federal Credit Union Act, by the Administrator of the National Credit Union Administration with respect to any Federal credit union;

"(4) the Acts to regulate commerce, by the Interstate Commerce Commission with respect to any common carrier subject to those Acts;

"(5) the Federal Aviation Act of 1958, by the Civil Aeronautics Board with respect to any air carrier or foreign air carrier subject to that Act; and

"(6) the Packers and Stockyards Act, 1921 (except as provided in section 406 of that Act), by the Secretary of Agriculture with respect to any activities subject to that Act.

"(c) For the purpose of the exercise by any agency referred to in subsection (b) of its powers under any Act referred to in that subsection, a violation of any requirement imposed under this title shall be deemed to be a violation of a requirement imposed under that Act. In addition to its powers under any provision of law specifically referred to in subsection (b), each of the agencies referred to in the subsection may exercise, for the purpose of enforcing compliance with any requirement imposed under this title any other authority conferred on it by law.

"§ 622. Relation to State laws

"This title does not annul, alter, affect, or exempt any person subject to the provisions of this title from complying with the laws of any State with respect to the collection, distribution, or use of any information on consumers, except to the extent that those laws are inconsistent with any provision of this title, and then only to the extent of the inconsistency."

EFFECTIVE DATE

SEC. 602. Section 504 of the Consumer Credit Protection Act is amended by adding at the end thereof the following new subsection:

"(d) Title VI takes effect upon the expiration of one hundred and eighty days following the date of its enactment."

★★★

PART 9

THE EQUAL EMPLOYMENT OPPORTUNITY ACT

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PART 9

THE EQUAL EMPLOYMENT OPPORTUNITY ACT

A. WHAT IS THE EQUAL EMPLOYMENT OPPORTUNITY ACT ?

The Equal Employment Opportunity Act (EEOA) is Title VII of the Civil Rights Act of 1964.

"Equal Employment Opportunity" is the right of all persons to work and advance on the basis of merit, ability and potential. The EEOA is intended to achieve equality of employment opportunities and to remove barriers that have operated in the past to favor some groups of employees over others. The Act prohibits discrimination because of race, color, sex, religion or national origin in *all* employment practices, including advertising, hiring, firing, lay offs, promotion, wages, training, disciplinary action and other terms, privileges, conditions or benefits of employment.

The following practices do not violate EEOA:

(a) Hiring individuals on the basis of religion, sex, or national origin to fill a position where one of those characteristics is a genuine occupational qualification necessary to the normal operation of that particular position.

(b) Firing an individual, or failing to hire an individual on the basis of any requirement imposed by the United States under any security program, if the individual has not fulfilled or has ceased to fulfill that requirement.

(c) Applying different standards of compensation or other privileges of employment on the basis of a bona fide seniority or merit system or a system which measures earnings by quantity or quality of production.

The EEOA does not require any business subject to its provisions to provide preferential treatment to any individual or group because of the race, color, religion, sex or national origin of the individual or group. Similarly, the EEOA does not apply to businesses on or near Indian reservations which give preferential treatment to Indians living on or near the reservation.

B. WHAT CREDIT UNIONS MUST COMPLY ?

The provisions of EEOA apply to *any* credit union which has 15 or more employees for each working day in each of twenty or more calendar weeks in a calendar year.

C. HOW TO COMPLY WITH EEOA

A credit union which is subject to EEOA must:

(a) Post (and keep posted) in a conspicuous place on its premises (where notices to employees, applicants for employment, trainees and members are usually posted) the notice illustrated in Appendix A. Copies of the required notice may be obtained from the EEOC. Failure to comply with this requirement may result in a fine of not more than $100 for each offense.

(b) File, on or before March 31st of each year, completed copies of Standard Form 100 (Employee Information Report EEO-1) with the Commission in conformance with the directions contained on the form.

The forms can be obtained from the:

Joint Reporting Committee
Federal Depot
1201 East 10th Street
Jeffersonville, Indiana 47130

(c) Retain any personnel or employment record made or kept by the credit union (including, but not necessarily limited to, application forms and other records having to do with hiring, promotion, demotion, transfer, lay off, rates of pay or selection for training) for a period of 6 months from the date the record was made *or* any action involving the record taken, *whichever occurs later.*

When an employee is fired, all records pertaining to that employee must be retained for 6 months from the effective date of the discharge. Also, if a discrimination charge is filed or some other action is being taken by the EEOC against a credit union, all records relating to the charge must be retained until the charge or action has been resolved or the statutory period within which a person, who believes his rights under EEOA have been violated, can bring action in a court of law, has expired.

NOTE: These requirements do not apply to employment records for temporary positions.

(d) Maintain and keep any other records which the EEOC may specifically request to be prepared.

D. MILITARY CREDIT UNIONS—SPECIAL CONSIDERATIONS

In carrying out his responsibilities under EEO, a base commander may seek to impose all or part of the requirements (including Affirmative Action Plans) of the DOD EEO program upon the credit union serving his command, regardless of the number of persons employed by the credit union. (The DOD regulation on the subject may be found in Title 32 Part 191.4 of the Code of Federal Regulations.) Although the necessity for compliance by affected DOD credit unions may be subject to question, NCUA strongly urges such credit unions to comply with the requirements of the base EEO program. This is in the interest of maintaining good relations with command as well as supporting the concept of equal opportunity.

E. ENFORCEMENT

The Equal Employment Opportunity Commission (EEOC) has primary responsibility for enforcing the EEOA. The EEOC receives and investigates job discrimination complaints. If it finds reasonable cause to believe that the charges are justified, it attempts through negotiation to reach an agreement which will eliminate all aspects of discrimination revealed by the investigation. If negotiation fails, the EEOC has the authority to go directly to court to enforce the law. The EEOC may also rely on a State or local commission to carry out the investigation of an alleged violation.

For additional information or technical assistance concerning the Equal Employment Opportunity Act, contact the district office listed in Appendix B which serves your state or locality.

F. EFFECT OF STATE LAWS

Compliance with State and/or local laws regarding employment practices is not exempted or affected by EEOA unless the provisions of those laws are inconsistent with provisions of the EEOA.

Appendix A

EQUAL EMPLOYMENT OPPORTUNITY

is the Law

DISCRIMINATION IS PROHIBITED

By The Civil Rights Act of 1964
And By Executive Order Number 11246

Title VII of the Civil Rights Act of 1964—Administered by The Equal Employment Opportunity Commission Prohibits discrimination because of Race, Color, Religion, Sex, or National Origin By Employers with 25 or more employees, by Labor Organizations with a hiring hall of 25 or more members, by Employment Agencies, and by Joint Labor-Management Committees for Apprenticeship or Training.

ANY PERSON
who believes he or she has
been discriminated against

SHOULD CONTACT

The Equal Employment Opportunity Commission, 1800 G Street NW., Washington, DC 20506

APPENDIX B

EEOC DISTRICT OFFICES

If you wish to receive additional information on the equal employment opportunity laws, write or call the district office which serves your state or locality.

Alabama

Birmingham District Office
2121 8th Ave., North, Rm. 824
Birmingham, Alabama 35203
Telephone: (205) 254-1166
229-1161 (FTS)

Alaska

Seattle District Office
Times Square Bldg., 4th Fl.
414 Olive Way
Seattle, Washington 98101
Telephone: (206) 422-0968
399-0968 (FTS)

Arizona

Phoenix District Office
Valley Central Bldgs.
201 N. Central Ave., Suite 1450
Phoenix, Arizona 85073
Telephone: (602) 261-3882
(Public & FTS)

Arkansas

New Orleans District Office
Hale Boggs Federal Bldg.
500 Camp St., Suite 1007
New Orleans, Louisiana 70130
Telephone: (504) 682-2722
(Public & FTS)

California

Los Angeles District Office
1543 W. Olympic Blvd., Suite 340
Los Angeles, California 90015
Telephone: (213) 688-3400
798-3400 (FTS)

The Los Angeles District Office covers the following California counties: Imperial, Kern, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Luis Obispo, Santa Barbara and Ventura. **All other California counties are covered by the San Francisco District Office.**

San Francisco District Office
1390 Market St., Suit 325
San Francisco, California 94102
Telephone: (415)556-0260
(Public & FTS)

Colorado

Denver District Office
Ross Bldg., 6th Fl.
1726 Champa St.
Denver, Colorado 80202
Telephone: (303) 327-3668
837-3668 (FTS)

Connecticut

Boston District Office
150 Causeway St., Suite 1000
Boston, Massachusetts 02114
Telephone: (617) 223-4535
(Public & FTS)

District of Columbia

Washington, D.C. District Office
1717 H St., N.W., Suite 400
Washington, D.C. 20006
Telephone: (202) 653-6197
(Public & FTS)

Florida

Miami District Office
Biscayne Terrace Hotel
10th Fl.
340 Biscayne Blvd.
Miami, Florida 33132
Telephone: (305) 350-4491
(Public & FTS)

Georgia

Atlanta District Office
Citizens Trust Bldg., 10th Fl.
75 Piedmont Ave., N.E.
Atlanta, Georgia 30303
Telephone: (404) 526-4566
285-4566 (FTS)

Hawaii

San Francisco District Office
1390 Market St., Suite 325
San Francisco, California 94102
Telephone: (415) 556-0260
(Public & FTS)

Idaho

Seattle District Office
Times Square Bldg., 4th Fl.
Seattle, Washington 98101
Telephone: (206) 422-0968
399-0968 (FTS)

Illinois

Chicago District Office
Federal Bldg., Rm. 234
536 S. Clark St.
Chicago, Illinois 60605
Telephone: (312) 353-7550
(Public & FTS)

Indiana

Indianapolis District Office
Federal Bldg.
U.S. Courthouse
46 East Ohio St., Rm. 456
Indianapolis, Indiana 46204
Telephone: (317) 269-7212
331-7212 (FTS)

Iowa

St. Louis District Office
1601 Olive St.
St. Louis, Missouri 63103
Telephone: (314) 425-5571
279-5571 (FTS)

Kansas

Kansas City District Office
1150 Grand Ave., 1st Fl.
Kansas City, Missouri 64106
Telephone: (816) 374-5773
758-5773 (FTS)

Kentucky

Memphis District Office
The Dermon Bldg., Suite 1004
46 North Third St.
Memphis, Tennessee 38103
Telephone: (901)534-3591
222-3591 (FTS)

Louisiana

New Orleans District Office
Hale Boggs Federal Bldg.
500 Camp St., Suite 1007
New Orleans, Louisiana 70130
Telephone: (504) 589-2721
682-2721 (FTS)

Maine

Boston District Office
150 Causeway St., Suite 1000
Boston, Massachusetts 02114
Telephone: (617) 223-4535
(Public & FTS)

Maryland

Baltimore District Office
711 W. 40th St., Rotunda Bldg.
Baltimore, Maryland 21211
Telephone: (301) 962-3932
962-3850 (FTS)

Massachusetts

Boston District Office
150 Causeway St., Suite 1000
Boston, Massachusetts 02114
Telephone: (617) 223-4535
(Public & FTS)

Michigan

Detroit District Office
Michigan Bldg., Suite 600
200 Bagley Ave.
Detroit, Michigan 48226
Telephone: (313) 226-7636
(Public & FTS)

Minnesota

Milwaukee District Office
Veterans Administration Bldg.
342 N. Water St., 6th Fl.
Milwaukee, Wisconsin 53202
Telephone: (414) 224-1111
362-1111 (FTS)

Mississippi

Jackson District Office
203 West Capitol St.
Jackson, Mississippi 39201
Telephone: (601) 969-4537
490-4537 (FTS)

Missouri

St. Louis District Office
1601 Olive St.
St. Louis, Missouri 63103
Telephone: (314) 425-5571
279-5571 (FTS)

The St. Louis District Office has jurisdiction over the following counties: Adair, Audrain, Ballinger, Boone, Butler, Callaway, Camden, Cap Giradeau, Canter, Christian, Clark, Cole, Crawford, Dallas, Dent, Douglas, Dunklin, Franklin, Gasconade, Greene, Howard, Howell, Iron, Jefferson, Knox, Laclede, Lewis, Lincoln, Macon, Madison, Maries, Marion, Miller, Mississippi, Moniteau, Monroe, Montgomery, Morgan, New Madrid, Oregon, Osage, Ozark, Pemiscot, Perry, Phelps, Pike, Polk, Pulaski, Randolph, Ralls, Reynolds, Ripley, St. Charles, St. Francois, St. Genevieve, St. Louis County, St. Louis City, Schuyler, Scotland, Scott, Shannon, Shelby, Stoddard, Stone, Taney, Texas, Warren, Washington, Wayne, Webster, and Wright. **All other Missouri counties are covered by the Kansas City District Office.**

Kansas City District Office
1150 Grand Ave., 1st Fl.
Kansas City, Missouri 64106
Telephone: (816) 374-5773
758-5773 (FTS)

Montana

Denver District Office
Ross Bldg., 6th Fl.
1726 Champa St.
Denver, Colorado 80202
Telephone: (303) 837-3668
327-3668 (FTS)

Nebraska

Kansas City District Office
1150 Grand Ave., 1st Fl.
Kansas City, Missouri 64106
Telephone: (816) 374-5773
758-5773 (FTS)

Nevada

Phoenix District Office
Valley Central Bldg.
201 N. Central Ave., Suite 1450
Phoenix, Arizona 85073
Telephone: (602) 261-3882
(Public & FTS)

New Hampshire

Boston District Office
150 Causeway St., Suite 1000
Boston, Massachusetts 02114
Telephone: (617) 223-4535
(Public & FTS)

New Jersey

Newark District Office
744 Broad St., Rm. 502
Newark, New Jersey 07102
Telephone: (201) 645-5967
341-6383 (FTS)

New Mexico

Albuquerque District Office
Western Bank Bldg., Suite 1515
505 Marquette Ave., N.W.
Albuquerque, New Mexico
87101
Telephone: (505) 766-2061
474-2061 (FTS)

New York

New York District Office
90 Church St., 13th Fl.
New York, New York 10007
Telephone: (212) 264-7161
(Public & FTS)

The New York District Office covers the following New York counties: Bronx, Columbia, Dutchess, Greene, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, Sullivan, Ulster and Westchester. **All other New York counties are covered by the Buffalo District Office.**

Buffalo District Office
One W. Genesse St., Rm. 320
Buffalo, New York 14202
Telephone: (716) 842-5170
432-5170 (FTS)

North Carolina

Charlotte District Office
403 North Tryon St., 2nd Fl.
Charlotte, North Carolina
28202
Telephone: (704) 372-0711
672-7495 (FTS)

North Dakota

Denver District Office
Ross Bldg., 6th Fl.
1726 Champa St.
Denver, Colorado 80202
Telephone: (303) 837-3668
327-3668 (FTS)

Ohio

Cincinnati District Office
Federal Bldg., Rm. 7019
550 Main St.
Cincinnati, Ohio 45202
Telephone: (513) 684-2851
684-2379 (FTS)

The Cincinnati District Office covers the following Ohio counties: Adams, Athens, Brown, Champaign, Clark, Clermont, Clinton, Darke, Fairfield, Fayette, Gallia, Greene, Hamilton, Highland, Hocking, Jackson, Lawrence, Miami, Noble, Madison, Meigs, Montgomery, Morgan, Monroe, Perry, Pickaway, Preble, Pike, Ross, Scioto, Vinton, Warren and Washington. **All other Ohio counties are covered by the Cleveland District Office.**

Cleveland District Office
Engineers Bldg., Rm. 402
1365 Ontario St.
Cleveland, Ohio 44114
Telephone: (216) 522-4793
293-4793 (FTS)

Oklahoma

Albuquerque District Office
Western Bank Bldg., Suite 1515
505 Marquette Ave., N.W.
Albuquerque, New Mexico
87101
Telephone: (505) 766-2061
474-2061 (FTS)

Oregon

Seattle District Office
Times Square Bldg., 4th Fl.
414 Olive Way
Seattle, Washington 98101
Telephone: (206) 442-0968
399-0968 (FTS)

Pennsylvania

Pittsburgh District Office
Federal Bldg., Rm. 2038A
1000 Liberty Avenue
Pittsburgh, Pennsylvania
15222
Telephone: (412) 644-3444
722-3444 (FTS)

The Pittsburgh District Office covers the following western Pennsylvania counties: Allegheny, Armstrong, Beaver, Bedford, Blair, Butler, Cambria, Clarion, Clearfield, Crawford, Elk, Erie, Fayette, Forest, Greene, Indiana, Jefferson, Lawrence, McKean, Mercer, Somerset, Venango, Warren, Washington and Westmoreland. **All other Pennsylvania counties are covered by the Philadelphia District Office.**

Philadelphia District Office
219 North Broad St., 2nd Fl.
Philadelphia, Pa. 19107
Telephone: (215) 597-9350
(Publice & FTS)

Rhode Island

Boston District Office
150 Causeway St., Suite 1000
Boston, Massachusetts 02114
Telephone: (617) 223-4535

South Carolina

Atlanta District Office
Citizens Trust Bldg., 10th Fl.
75 Piedmont Ave., N.E.
Atlanta, Georgia 30303
Telephone: (404) 526-4566
285-4566 (FTS)

South Dakota

Denver District Office
Ross Bldg., 6th Fl.
1726 Champa St.
Denver, Colorado 80202
Telephone: (303) 837-3668
327-3668 (FTS)

Tennessee

Memphis District Office
The Dermon Bldg., Suite 1004
46 North Third St.
Memphis, Tennessee 38103
Telephone: (901) 534-3591
222-3591 (FTS)

The Memphis District Office covers the following Tennessee counties west of the Tennessee River: Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Haywood, Henderson, McNairy, Marion, Obion, Shelby, Tipton and Weakley. **All other Tennessee counties are covered by the Birmingham District Office.**

Birmingham District Office
2121 8th Ave., North, Rm. 824
Birmingham, Alabama 35203
Telephone: (205) 254-1166
229-1161 (FTS)

Texas

Dallas District Office
Corrigan Towers, 6th Fl.
212 N. St. Paul St.
Dallas, Texas 75201
Telephone: (214) 749-1751
(Public & FTS)

The Dallas District Office covers the following Texas counties: Anderson, Archer, Baylor, Bell, Bosque, Bowie, Brown, Callahan, Camp, Cass, Cherokee, Clay, Coleman, Collin, Comanche, Cooke, Coryell, Dallas, Delta, Denton, Eastland, Ellis, Erath, Falls, Fannin, Foard, Franklin, Freestone, Grayson, Gregg, Hamilton, Hardeman, Harrison, Haskell, Henderson, Hill Hood, Hopkins, Houston, Hunt, Jack, Johnson, Kaufman, Knox, Lamar, Lampasas, Leon, Limestone, McLennan, Madison, Marion, Milam, Mills, Montague, Morris, Nacogdoches, Navarro, Palo Pinto, Panola, Parker, Rains, Red River, Robertson, Rockwall, Rusk, Shackelford, Shelby, Smith, Somervell, Stephens, Tarrant, Throckmorton, Titus, Upshur, Van Zandt, Wichita, Wilbarger, Wise, Wood and Young.

Houston District Office
2320 La Branch, Rm. 1101
Houston, Texas 77004
Telephone: (713) 226-5611
527-5611 (FTS)

The Houston District Office covers the following Texas counties: Angelina, Austin, Brazoria, Chambers, Colorado, Fort Bend, Galveston, Grimes, Hardin, Harris, Jasper, Jefferson, Liberty, Matagorda, Montgomery, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Trinity, Tyler, Walker, Waller and Wharton.

San Antonio District Office
727 E. Durango St., Suite
B-601
San Antonio, Texas 78206
Telephone: (512) 225-5511
730-4864 (FTS)

The San Antonio District Office covers the following Texas counties: Arkansas, Atascasa, Bandera, Bastrop, Bee, Bexar, Blanco, Brazos, Brooks, Burleson, Burnet, Caldwell, Calhoun, Cameron, Comal, Concho, De Witt, Dunmit, Duval, Edwards, Fayette, Frio, Gillespie, Goliad, Gonzales, Guadalupe, Hays, Hidalgo, Jackson, Jim Hogg, Jim Wells, Karnes, Kendall, Kennedy, Kerr, Kimble, Kinney, Kleberg, LaSalle, Lavaca, Lee, Live Oak, Llano, McCulloch, McMullen, Mason, Maverick, Medina, Menard, Nuces, Real, Refugio, San Patricio, San Saba, Starr, Travis, Uvalde, Val Verde, Victoria, Washington, Webb, Willacy, Williamson, Wilson, Zapata and Zavala. **All other Texas counties are covered by the Albuquerque District Office.**

Albuquerque District Office
Western Bank Bldg., Suite 1515
505 Marquette Ave., N.W.
Albuquerque, New Mexico
87101
Telephone: (505) 766-2061
474-2061 (FTS)

Utah

Denver District Office
Ross Bldg.
1726 Champa St., 6th Fl.
Denver, Colorado 80202
Telephone: (303) 837-3668

Vermont

Boston District Office
150 Causeway St., Suite 1000
Boston, Massachusetts 02114
Telephone: (617) 223-4535
(Public & FTS)

Virginia

Washington, D.C. District
Office
1717 H St., N.W. Suite 400
Washington, D.C. 20006
Telephone: (202) 653-6197
(Public & FTS)

Washington

Seattle District Office
Times Square Bldg., 4th Fl.
414 Olive Way
Seattle Washington 98101
Telephone: (206) 442-0968
399-0968 (FTS)

West Virginia

Pittsburgh District Office
Federal Bldg., Rm. 2038A
1000 Liberty Ave.
Pittsburgh, Pa. 15222
Telephone: (412) 644-3444
722-3444 (FTS)

Wisconsin

Milwaukee District Office
Veterans Administration Bldg.
342 N. Water St., 6th Fl.
Milwaukee, Wisconsin 53202
Telephone: (414) 224-1111
362-1111 (FTS)

Wyoming

Denver District Office
Ross Bldg.
1726 Champa St., 6th Fl.
Denver, Colorado 80202
Telephone: (303) 837-3668
327-3668 (FTS)

Canal Zone

Miami District Office
Biscayne Terrace Hotel, 10th Fl.
340 Biscayne Blvd.
Miami, Florida, 33132
Telephone: (305) 350-4491
(Public & FTS)

Guam

San Francisco District Office
1390 Market St., Suite 325
San Francisco, Calif. 94102
Telephone: (415) 556-0260
(Public & FTS)

Puerto Rico

New York District Office
90 Church St., 13th Fl.
New York, New York 10007
Telephone: (212) 264-7161
(Public & FTS)

Samoa

San Francisco District Office
1390 Market St., Suite 325
San Francisco, California 94102
Telephone: (415) 556-0260
(Public & FTS)

Virgin Islands

New York District Office
90 Church St., 13th Fl.
New York, New York 10007
Telephone: (212) 264-7161
(Public & FTS)

Wake Island

San Francisco District Office
1390 Market St., Suite 325
San Francisco, California 94102
Telephone: (415) 556-0260
(Public & FTS)

PART 10

THE PRIVACY ACT
and
THE FREEDOM OF INFORMATION ACT

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PART 10

THE PRIVACY ACT
and
THE FREEDOM OF INFORMATION ACT

A. GENERAL COMMENTS

Because of the uncertainty regarding the effect of the Freedom of Information Act and the Privacy Act of 1974 upon Federal Credit unions, a brief discussion of the two laws is included in this manual.

Neither statute applies to Federal credit unions. However, they do apply to the National Credit Union Administration. Part 720 of the NCUA Rules and Regulations outlines the rights of individuals and the responsibilities of the National Credit Union Administration under both the Freedom of Information Act and the Privacy Act.

B. THE FREEDOM OF INFORMATION ACT

The Freedom of Information Act opens government files and records to the public, with certain exceptions. Under this Act some Federal agency records must be published in the Federal Register. Other records must be made available for public inspection and copying. The remaining records must be made available on request to any person who "reasonably describes" what he or she is looking for. Fees may be assessed to cover the costs of searching for records and copying them.

C. THE PRIVACY ACT OF 1974

The Privacy Act, as its name suggests, protects individual privacy. The Act affects the Federal Government's collection, maintenance, and use of information about individuals.

The Privacy Act may affect those Federal credit unions whose sponsors are Federal agencies or instrumentalities, but only in a limited way. While a Federal agency may routinely release the name, position, title, base pay, GS level, and duty station of an employee (with the exception of organizations like the CIA), the Federal credit union may need to obtain its member's consent if it wants to obtain additional information from the agency, for example, in connection with determining a loan applicant's creditworthiness.

PART 11

IRA/KEOGH PENSION PLANS

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PART 11

IRA/KEOGH PENSION PLANS EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974

A. INTRODUCTION

This part of the Manual of Laws is designed to provide, in summary form, a survey of the laws covering pension plans and their relationship to Federal credit unions. The information below is not intended to replace the advice of legal counsel or those authorities having the responsibility to regulate or administer pension plans.

The following publications issued by the Internal Revenue Service give more detailed information about two types of pension plans:

(a) Tax Information on Self-Employed Retirement Plans, IRS Publication 560 (Revised April, 1977), and

(b) Tax Information on Individual Retirement Savings Programs, IRS Publication 590 (Revised December, 1976).

B. ERISA—PURPOSE AND SCOPE

The purposes stated in the Employment Retirement Income Security Act of 1974 (ERISA) include protecting the interests of participants in pension plans and those of their beneficiaries by:

- Establishing standards of conduct, responsibility, and obligation for fiduciaries of employee benefit plans;
- Providing for appropriate remedies, sanctions, and ready access to the Federal courts;
- Requiring plans to vest the accrued benefits of employees with significant periods of service;
- Requiring plans to meet minimum standards of funding and
- Requiring plan termination insurance.

Not all pension plans, referred to in ERISA as employee benefit plans, are required to meet the requirements stated above; however, *every employee benefit plan* (including individual retirement accounts and Keogh plans) must meet the disclosure and reporting requirements of Title I of ERISA. In order to aid in the understanding of this and other requirements, it is helpful to examine the definition of "employee benefit plan".

The term "employee benefit plan" is defined in ERISA to include two types of plans:

(a) an employee welfare plan, and

(b) an employee pension benefit plan, also called an employee pension plan. An employee plan may also be a combination of these two types, which are explained below.

(1) An employee welfare plan provides for medical, surgical or hospital care or benefits, or benefits in the event of sickness, accident, disability, death or unemployment. A welfare plan can also provide for vacation benefits, training programs, daycare centers, scholarship funds or prepaid legal services.

(2) An employee pension benefit plan or pension plan is any plan maintained by an employer or employee organization that provides (i) retirement income to employees *or* (ii) results in a deferral of income by employees for periods extending to the termination of employment or beyond.

The authorities responsible for the enforcement of ERISA are the Department of Labor (Labor), the Department of Treasury, through the Internal Revenue Service (IRS) and the Pension Benefit Guarantee Corporation (PBGC). Regulations have been promulgated under the provisions of ERISA by Labor, IRS, and PBGC, and overlap in many areas. Generally, the reporting and disclosure, participation and vesting, funding and fiduciary responsibility provisions of ERISA are administered by Labor. The IRS is also responsible for participation, vesting and funding standards, as well as prohibited transactions. The PBGC is responsible for plan termination insurance.

C. FEDERAL CREDIT UNIONS AND ERISA

1. KEOGH AND INDIVIDUAL RETIREMENT ACCOUNTS

The authority for a Federal credit union to act as a trustee or custodian for Keogh plans and Individual Retirement Accounts (IRAs) is set out in section 721.4 of the NCUA Rules and Regulations (12 C.F.R. 721.4) which provides in part:

> A Federal credit union is authorized to act as trustee or custodian . . . under any written trust instrument or custodian agreement . . . forming part of a pension plan which qualifies or qualified for specific tax treatment under section 401(d) or 408 of the Internal Revenue Code. . . .

These accounts are explained in Parts D and E below, and generally fall within the definition of an employee pension benefit plan. Section 721.4 also provides that these accounts must be for "members or groups or organizations" of members, and invested only in the share accounts of the Federal credit union.

2. PLANS FOR FEDERAL CREDIT UNION EMPLOYEES

Section 701.19 provides that a Federal credit union is authorized to act as trustee or custodian for a pension plan for its own employees and officers who are compensated, *only* in the case of an IRA maintained in accordance with the provisions of Section 721.4. A Federal credit union may, however, provide retirement benefits for its employees through other types of pensions plans, if an outside party serves as the trustee (or custodian) for its pension plan. Two important factors in this regard should be noted:

(a) the outside party must meet the trustee requirements promulgated by IRS, and

(b) the credit union will not be relieved of fiduciary responsibility under ERISA by the selection of an outside trustee. Even though the credit union is not the trustee, it may still qualify as a fiduciary under ERISA. Under ERISA's rules for breach of fiduciary responsibility of a co-fiduciary (the outside trustee), the credit union has a duty to periodically review the performance of the outside trustee.

In summary, a Federal credit union can become involved in one or all of the following types of pension plans in the manner indicated:

(a) as the sponsor of an employee pension benefit plan for employees and compensated officers of the credit union with a named trustee other than the credit union,

(b) as the trustee or custodian for individual retirement accounts for employees and compensated officers of the credit union,

(c) as the trustee or custodian for individual retirement accounts for credit union members, groups of members, or organizations of members or

(d) as the trustee or custodian for Keogh plans for credit union members, groups of members, or organizations of members.

Due to their complexity, participation in any of these plans is best undertaken with the advice of legal counsel. In addition, participation in any of the above plans (where the retirement funds are to be placed in trust or custodial accounts in the credit union) would require that the credit union adopt certain standard amendments to its bylaws. These amendments are to sections 5(d), 5(e) and 6 of Article III and section 1 of Article XVII of the bylaws. Information concerning these amendments was contained in Changes 2 and 3 to the bylaws which were distributed in 1975. Specific accounting instructions are also included in Change 1 of the Accounting Manual which was dated October 22, 1975.

D. SPONSORING PENSION PLANS FOR CREDIT UNION EMPLOYEES

1. MODEL PLANS; PLAN TERMINATION INSURANCE

In the case where a Federal credit union sponsors a pension plan for its employees and compensated officials, it may elect to adopt a model plan developed by some other financial institution or an insurance carrier. As the sponsor of such an employee pension benefit plan, the Federal credit union is required to obtain plan termination insurance in certain cases. Legal counsel should be consulted in order to assure the proper model plan has been selected and to determine whether plan termination insurance is required under ERISA.

2. INSURANCE UNDER SECTION 701.19

Section 701.19 of the NCUA Rules and Regulations provides in part:

> No Federal credit union shall occupy the position of a fiduciary [as defined in ERISA and the regulations issued by Labor], unless provision has been made for appropriate liability insurance as provided under section 410(b) of [ERISA].

At this time, Labor and IRS have not issued regulations clarifying the definition of a "fiduciary" under ERISA as that term is applied to Federal credit unions. The language of the broad definition of a "fiduciary" in ERISA can be read on its face to include a Federal credit union when it has named an outside trustee or administrator for a pension plan for its employees. Therefore, fiduciary liability insurance is required under section 701.19 for such a credit union.

Where a Federal credit union is itself acting as a trustee or custodian for its employees, section 701.19 requires that the plan be an IRA maintained in accordance with the provisions of section 721.4. In that case, fiduciary liability insurance is not required under section 701.19.

E. FEDERAL CREDIT UNIONS AS TRUSTEES OR CUSTODIANS FOR IRAS

1. WHAT IS AN IRA?

An Individual Retirement Account (IRA) is a retirement savings program. A portion of the earnings of an eligible individual can be set aside in this account. These earnings, along with any interest or dividends earned, will not be taxed until the individual begins drawing benefits, normally after age 59 1/2.

In order to qualify for an IRA in a particular tax year, an individual must not have been an active participant in any one of the following types of programs established by an employer:

(a) a qualified pension, profit sharing or stock bonus plan;

(b) a qualified annuity plan;

(c) a qualified bond purchase plan (however, purchase of savings bonds out of an individual's own funds does not disqualify that individual for an IRA);

(d) an annuity contract purchased by certain tax exempt organizations (including private schools) or public educational institutions;

(e) a qualified retirement plan for self-employed individuals (Keogh plan); or

(f) a government retirement plan (local, state, Federal or military).

The term "qualified" as used above refers to a plan which the IRS considers to have met the requirements of the Internal Revenue Code. An individual is eligible for an IRA if that individual works for a company whose employee benefit plan allows the choice of not joining the plan and the individual chooses not to participate. If an individual is not certain if he/she was an "active participant" in one of the plans described above, the credit union should advise that individual to consult with the employer for the period of time in question or the IRS District Director's Office.

2. CONTRIBUTIONS TO AN IRA

An eligible individual may make a yearly contribution to an IRA of up to $1,500 or 15% of that individual's compensation, *whichever is less.* Compensation includes wages, salaries, and other amounts received for personal services actually rendered. An individual is not required to contribute money every year to an IRA or to contribute the same amount each year.

3. SPOUSAL IRAS

Separate spousal IRAs may be established and maintained for both the employed individual and the nonemployed spouse. In addition, a single IRA may be established or maintained with separate subaccounts for each spouse. Distributions from an IRA are normally geared to age; for spousal IRAs distribution provisions apply separately for each account and independent calculations are made according to each spouse's age and the amount each withdraws.

Deductions for contributions to spousal IRAs operate jointly, since a deduction under section 220 of the Internal Revenue Code (providing for spousal IRAs) is limited to twice the lesser amount that was paid for an individual *or* the individual's spouse. In order to claim the maximum deduction under section 220, an individual and the individual's spouse must each contribute $875 for the year, to reach the permissible limit of $1750.

In other words, the aggregate amount deductible for contributions to spousal IRAs for any taxable year may not exceed *the smallest amount* of any of the following:

(a) twice the amounts paid for the benefit of the individual or spouse, whichever is the *lesser* of the two amounts paid for that year,

(b) an amount equal to 15% of the compensation includible in gross income for the taxable year, or

(c) $1,750.

Note: As stated above, for regular IRAs the limitation is the lesser of 15% of compensation or $1,500. *When both spouses work*, there is no provision for coordinating or equalizing the amount of each of their annual contributions to their regular IRAs.

Also note: Spousal IRAs cannot be maintained merely by changing one regular IRA so there are joint owners with survivorship rights. Spousal IRAs must be funded through the use of separately owned accounts, retirement bonds, or through the use of a single account with subaccounts for each spouse. However, each spouse could have a right of survivorship with respect to the subaccount of the other.

4. ADVANTAGES OF ESTABLISHING AN IRA

IRAs have advantages as well as disadvantages, depending upon an individual's needs. IRAs invested in the shares of a Federal credit union are insured in an aggregate amount for one individual up to $40,000.00, separately from other deposit or share accounts of the participant or designated beneficiary.

IRAs are given favorable tax treatment. No tax is paid on the permitted amounts invested or earnings on those funds until those funds are withdrawn, usually after age 59 1/2. In comparison, earnings of a non-IRA are taxed annually. There is no requirement that an individual contribute money every year to an IRA or the same amount every year.

5. WITHDRAWALS FROM AN IRA

IRA funds may be withdrawn in the year in which an individual reaches age 59 1/2, even if that individual does not stop working. Between ages 59 1/2 and 70 1/2, an individual may withdraw any amount from an IRA at any time. The amount withdrawn is taxable in the year it is withdrawn. By the end of the year in which an individual reaches age 70 1/2, the individual must:

(a) withdraw all funds from the IRA, or

(b) begin drawing an amount from the IRA in accordance with the amount determined by life expectancy tables used by IRS. These tables are set out in section 1.72-9 of the Income Tax Regulations and may be obtained from the IRS District Director's Office.

6. ROLLOVER CONTRIBUTIONS

i. Tax-Free Transfer of Funds

An individual can participate in a rollover contribution, that is a tax-free transfer of funds, from one individual retirement plan to another. The following types of transfers involving IRAs are permitted:

From an IRA to:

(a) another IRA;

(b) an individual retirement annuity (not an endowment contract); or

(c) the purchase of a government bond.

Into an IRA from:

(a) another IRA;

(b) an individual retirement annuity;

(c) a tax-qualified plan (maintained by an employer).

ii. General rules for a tax-free rollover

(a) A tax-free rollover contribution may be made only once every 3 years;

(b) Money or property to be transferred from any retirement savings plan *must be reinvested within 60 days from the date it was received* by the plan participant. (Only cash funds may be placed into an IRA in a Federal credit union. If the retirement savings plan included property, the fair market value in cash must be placed into the IRA.)

iii. Special rules for a tax-free rollover from *a tax-qualified plan to an IRA:*

(a) The individual's (employee) balance in the tax-qualified plan must be paid to the individual within one taxable year as a "lump sum distribution". That is, payment must be made either (i) after the employee attains 50 1/2 *or* (ii) upon the employee's separation from employment;

(b) The individual must have been a participant in the plan for five or more taxable years before the taxable year in which the distribution is made;

(c) The amount transferred to the IRA must *not* include the individual's own contributions to the qualified plan.

7. EXCESS CONTRIBUTIONS

An excess contribution occurs if an individual deposits an amount into an IRA over the legal amount allowed for deductions, as described above, or in a year in which the individual is not eligible. For example, a year in which the individual is not eligible would be one in which he/she was an active participant in an employer's qualified plan. No tax deduction is allowed for an excess contribution; furthermore, there is a 6% excise tax on the amount of the excess contribution. However, excess contributions withdrawn prior to the time for filing the individual's income tax return are not subject to the excise tax, provided there is a contribution at the time of that filing of no more than $1,500 or 15% of the individual's compensation, whichever is less.

F. FEDERAL CREDIT UNIONS AS TRUSTEES OR CUSTODIANS FOR KEOGH PLANS

1. INTRODUCTION

Prior to 1963, self employed persons could not participate in tax qualified retirement plans. In that year, Congress redefined the term "employee" under the tax laws to include self employed persons. ERISA continues to allow self employed persons to establish retirement plans, referred to as Keogh or H.R. 10 plans. In addition, ERISA subjects these plans to new standards of fiduciary conduct, reporting and disclosure which are administered by the Department of Labor.

Keogh plans are tax-exempt. However, if an employer is maintaining a defined benefit Keogh plan for employees, that plan is subject to the ERISA funding standards. If the plan fails to satisfy such standards, it is subject to an initial 5% excise tax. Note: Keogh plan assets do *not* qualify as rollover contributions to an IRA.

2. CONTRIBUTIONS TO KEOGH PLANS

The amount of contributions that may be made by an owner-employee (one who owns more than 10% of the business) depends upon the type of plan.

i. Defined Contribution Plans

The maximum contribution allowed under ERISA for an owner-employer (and the deduction allowed any self employed individual) participating in a defined contribution plan, that is, a plan that provides for an individual account for each participant and for benefits *based solely on the amount contributed and gains to the participant's account* is the lesser of:

(1) $7,500 or

(2) 15% of earned income from the business for which the plan is established.

ii. Defined Benefit Plans

Defined benefit plans for self employed individuals (usually established in separate accounts) *state the retirement benefit desired* and *provide for contributions in amounts necessary to provide the stated retirement benefits*, with the following limitations. The basic benefit may not exceed the product of:

(a) annual compensation (earned income not over $50,000 per year),

times

(b) the percentage shown on the following table.

Age at participation	*Percent*
30 or less	6.5
35	5.4
40	4.4
45	3.6
50	3.0
55	2.5
60 or over	2.0

3. REQUIREMENTS FOR KEOGH PLANS

In order to establish a Keogh plan, an individual must be a self employed person. Generally, a self employed person is anyone who has net earnings from self employment to the extent those earnings constitute earned income, *and* is subject to self employment tax under the Social Security System. Certain persons who do not necessarily pay Social Security tax are also included as self employed persons, for example, ministers, certain agent-drivers or commission drivers distributing produce and certain traveling salesmen. An individual is not considered to be a self employed person if that individual furnishes only financial backing to a business.

4. COMMON LAW EMPLOYEES [EMPLOYEES OF A SELF EMPLOYED PERSON]

A "common law employee" is an employee of a self employed person who owns no part of the self employed person's business. Usually the common law employee pays no self employment tax. Even if such tax is paid, a common law employee is *not* eligible to *establish* a Keogh plan.

A plan that benefits a self employed person (who is also referred to as an owner-employee) must also benefit all common law employees, with the following exemptions:

(a) Employees with less than 3 years service,

(b) Union employees covered by a collective bargaining agreement, and

(c) Nonresident aliens.

Labor and IRS have issued regulations which affect the applicability of the above exceptions.

5. INSURANCE

Plan termination insurance under Title IV of ERISA is usually not required for Keogh plans covering only individual self employed persons. However, Keogh plans covering more than one individual may require plan termination insurance, and legal counsel should be consulted in such cases.

6. APPROVAL OF KEOGH PLANS

Owner-employees are not required to submit their plans to IRS for approval, but in practice such approval is often requested. A Federal credit union can use a master or prototype plan for individual Keogh plans, if a determination letter is submitted to the National Office of IRS by using IRS Form 3672. Legal counsel should be consulted in this regard.

PART 12

SECURITIES EXCHANGE ACT OF 1934
P.L. 73-291

REGULATION G

(Securities Credit by Persons Other Than Banks, Brokers, or Dealers)

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PART 12

REGULATION G
(Securities Credit by Persons Other Than Banks, Brokers, or Dealers)

A. HOW REGULATION G AFFECTS CREDIT UNIONS AND THEIR MEMBERS

When a loan is granted to a member by a registered credit union for the purpose of purchasing or carrying margin securities, and it is secured (directly or indirectly, in whole or in part) by such securities, that member is subject to the requirements of Regulation X. When any lender (including a credit union) has a stipulated volume of lending, it must register (Federal Reserve Form G-1) with the Federal Reserve Bank for the district in which its principal office is located, as required by Regulation G. Once it is subject to registration, all of the credit union's loans made to its members for the purpose of purchasing or carrying margin securities must comply with the margin requirements established by the Board of Governors of the Federal Reserve System. Furthermore, all loans made by registered credit unions must be accompanied by a Federal Reserve Form G-3 (statement of purpose) if secured (directly or indirectly, in whole or in part) by margin securities, regardless of the purpose of such loan, and the credit union must report annually on such lending on Federal Reserve Form G-4.

Margin regulations in general limit the amount of credit a member may obtain to buy or carry margin securities. This means a member buying any margin securities on credit must make a down payment equal to at least the prevailing regulated percentage of the purchase price of the securities and may obtain credit for the remaining percentage of the purchase price (the maximum loan value). The Board of Governors of the Federal Reserve System has the responsibility for establishing the percentage of purchase price down payment or changing the level of margin requirements in concert with prevailing market economic conditions. A credit union registered as a G-Lender will be informed of any changes in the margin requirements by the Federal Reserve Board in its district.

B. WHAT ARE MARGIN SECURITIES?

The term "margin securities", as defined in Section 207.2(d) of Regulation G, includes securities listed on a national securities exchange, securities that appear on the Federal Reserve's list of OTC Margin Stocks, debt securities (bonds) convertible into the foregoing, and shares of most mutual funds.

Margin requirements on OTC stocks apply only to credit extended on and after the date the stock becomes an OTC margin stock. Up-dated lists of these specified stocks are published periodically by the Federal Reserve, and G-lenders are provided copies. Credit extended by credit unions to purchase or carry OTC stocks before they appeared on the list become subject to the retention and withdrawal requirements of Regulation G (provided the credit extended is collateralized by "margin securities") once they are listed.

C. WHAT CREDIT UNIONS ARE AFFECTED AND WHAT MUST BE DONE TO COMPLY WITH REGULATION G?

1. WHAT CREDIT UNIONS MUST REGISTER?

Regulation G requires any credit union that extends (or arranges for the extension of) a total of $100,000 or more credit during a calendar quarter (or has outstanding at any time during the calendar quarter a total of $500,000 or more in credit) secured directly or indirectly, in whole or in part, by collateral that includes any margin securities to file

Federal Reserve Form G-1 (See Appendix A) with the Federal Reserve Bank in its district. The credit union will then be provided with information and instructions regarding its responsibilities under this regulation.

2. WHAT MUST BE DONE FOLLOWING REGISTRATION?

i. Once the credit union becomes subject to the registration requirement, Federal Reserve Form G-3 (See Appendix C) which is a statement of purpose, must be completed on all subsequently completed loans which are secured by margin securities. The statement is designed to discourage borrowers from obtaining funds for the purchase of margin securities on the basis of presenting a false purpose statement.

The credit union is required to countersign Form G-3 after it has satisfied itself that it can accept the borrower's statement of purpose in good faith. If desired, Form G-3 can be used by the credit union in place of the regular loan application form for loans secured by margin securities. Approval by the credit union or loan officer can be noted on this form or on an attachment. The credit union will, of course, need to have sufficient financial information about the borrower on file to support the granting of the loan.

ii. All registered credit unions must also file Federal Reserve Form G-4 (See Appendix D) on an annual basis as prescribed by this regulation. The form must be filed by July 30th each year with the Federal Reserve Bank for the district in which the credit union's principal office is located.

If a credit union was not registered with the Federal Reserve because its margin security collateral loans did not exceed the amount specified in the regulation, but was subsequently required to do so for having granted the stipulated amount of such loans within a quarter (or carried at the end of a quarter), the loans granted prior to its becoming subject to registration will not be subject to the initial margin requirements, but would be subject to the withdrawal and substitution of collateral and retention requirement rules in this regulation.

Additional operational considerations may be found in Sections 207.1(g) through (j) of the regulation. These include combining purpose credits to the same person, purpose and non-purpose credit extended to the same person, purpose credit secured both by margin securities and by other collateral and withdrawal and substitutions of collateral.

3. WHEN IS A CREDIT UNION NO LONGER SUBJECT TO REGULATION G?

A registered credit union (one that has filed Federal Reserve Form G-1) can request termination of its registration if:

(a) It has not granted during the preceding six months *any* loans secured directly or indirectly by collateral that includes any margin securities and,

(b) The highest amount of securities credit outstanding during the preceding six calendar months did not exceed $200,000.

A credit union may apply for termination of Registration by filing Federal Reserve Form G-2 (See Appendix B) with the District Federal Reserve Bank.

D. ENFORCEMENT

The Securities Exchange Act of 1934, as amended, provides the enforcement authority for prosecution of those credit unions in violation of the provisions of Regulation G. The National Credit Union Administration in carrying out its supervisory responsibilities, determines whether a Federal credit union is subject to Regulation G, and, if so, whether it is in compliance.

REGULATION X

(Rules Governing Borrowers Who Obtain Securities Credit)

A. ITS PURPOSE

The Board of Governors of the Federal Reserve System issued Regulation X—Rules Governing Borrowers Who Obtain Securities Credit—to implement legislation that requires *borrowers* to comply with margin regulations in securities transactions. This regulation became effective November 1, 1971. The purpose of Regulation X as it applies to credit unions is to prevent the infusion of unregulated credit (obtained both outside and within the United States) into United States Securities markets in circumvention of the provisions of Regulation G margin requirements or by borrowers falsely certifying the purpose of a loan or otherwise willfully and intentionally evading the provisions of margin regulations.

B. TO WHOM DOES IT APPLY?

Regulation X places certain responsibilities on *borrowers* obtaining securities credit from various sources, including Federal credit unions. The Regulation applies to all borrowers who through credit extended by a G-lender (a credit union subject to Regulation G) obtain or enjoy the beneficial use of credit for the purpose of purchasing or carrying securities.

C. WHAT MUST BE DONE TO COMPLY WITH REGULATION G?

A borrower obtaining securities credit in the United States from a registered credit union must comply with the provisions of Regulation G. That is, he/she must complete Form G-3 in its entirety.

A borrower who is a citizen or a resident of the United States obtaining securities credit from an overseas office of a credit union must also comply with the provisions of Regulation G if the credit union is subject to registration. However, this borrower *is not required* to complete Part I of Federal Reserve Form G-3 concerning a statement of the purpose of the credit, but he is required to prepare Federal Reserve Form X-1 (See Appendix E) and retain this form for six years after the loan is paid.

A U.S. citizen permanently residing outside the United States is exempt from Regulation X if he obtains or has outstanding abroad no more than $5,000 in margin securities credit in any calendar year.

Regulation X does not place lending or administrative requirements on credit unions. However, foreign branches of credit unions *should* advise and provide borrowers with Federal Reserve Form X-1 at the time of granting the loan.

Appendices

THE FORMS ILLUSTRATED HEREIN
CAN BE OBTAINED FROM ANY FEDERAL RESERVE BANK.

Appendix A

This registration statement is required by law
(15 U.S.C. 78g; 12 C.F.R. 207.1).

Page 1

F.R. Form G-1
OMB No. 55-S77001
Approved by Federal Reserve Board and OMB (5/77)
Approval expires (5/80)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

REGISTRATION STATEMENT FOR PERSONS WHO EXTEND OR ARRANGE CREDIT SECURED BY MARGIN SECURITIES

(Other Than Commercial Banks and Brokers or Dealers)

Federal Reserve Form G-1

Name of registrant IRS Identification No.*

Name under which business is conducted, if different than above

Address of principal place of business--do not use P.O. Box No.

Mailing address, if different than above

General Instructions and Definitions

Who must file: Section 207.1(a) of Federal Reserve Regulation G requires that F.R. Form G-1 be completed by every person (other than commercial banks, brokers or dealers) who, during any calendar quarter extends or arranges for the extension of a total of $100,000 or more, or has outstanding a total of $500, 000 or more, in credit secured directly or indirectly, in whole or in part, by collateral that includes any margin securities.

When and where to file: The form should be filed within 30 days following the end of any such quarter [in which credit has been extended, arranged or is outstanding in accordance with Section 207.1(a)] with the Federal Reserve Bank of the district in which the principal office of subject person is located. This registration statement will remain in effect until a F.R. Form G-2 (deregistration statement) is approved by the Board of Governors of the Federal Reserve System.

What to file: All persons subject to the registration requirements of Section 207.1(a) should (i) supply the background information specified below; (ii) complete Schedule A; and (iii) submit a copy of a balance sheet, certified by an independent public accountant, for the registrant's latest fiscal year. If the registrant is subject to supervision by a State or Federal regulatory authority, a copy of the latest balance sheet filed with such authority may be used. If neither is available, the registrant should complete Schedule B on page 4.

Definitions: Terms used in this form are explained below. Precise definitions may be found in Section 207.2 of Regulation G.

Person: Any individual, corporataion, partnership, association, joint stock company, business trust, or unincorporated organization.

Purpose credit: Credit extended for the purpose of purchasing or carrying margin securities, or to reduce or retire indebtedness previously incurred for that purpose.

In the ordinary course of business: Occuring or reasonably expected to occur from time to time in the course of any activity of a person for profit or the management and preservation of property or, in the case of a person other than an individual, carrying out or in furtherance of any business purpose.

Margin Security: Includes (1) stocks registered on a national securities exchange and stocks on the Federal Reserve Board's list of OTC margin stocks, (2) debt securities that are convertible into, or carry a warrant or right to subscribe to or purchase margin securities, (3) any such warrant or right, and (4) shares of most mutual funds.

Indirectly secured: In general, credit is indirectly secured by margin securities if there is an understanding between the borrower and the lender (1) which is designed to make the margin securities more available to the lender in case of default than to the borrower's other creditors, or (2) which limits the borrower from exercising full dominion over the margin securities to sell, pledge, or donate them, or determining where they shall be placed physically.

Registration forms will be returned to registrants for corrections if all items have not been answered in the manner required or if the forms are otherwise unacceptable for filing.

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* A registrant who is an individual is not required to disclose his or her Social Security number.

Background Information

1. Principal lines of business:

2. Registrant is: (check one)

Sole proprietorship ________ Other (specify) ________
Partnership ________
Corporation ________

a. If registrant is a sole proprietor, state full residence address:

b. If registrant is a corporation, state date and place of incorporation:

Date: ____________________ Place: ____________________

c. Person responsible for maintaining records in connection with Regulation G:

Name: ____________________ Title: ____________________

3. a. Does any person not named elsewhere on this form exercise or have power to exercise a controlling influence over the management or policies of registrant, directly or indirectly, through stock ownership, agreement, or otherwise? Yes ☐ No ☐

b. If "yes", state the name of each such person and describe the agreement, arrangement, or nature of the controlling influence:

4. If any of the accounts or records of registrant are kept or maintained by others, furnish the name and address of the other individual, firm, or organization:

5. If registrant extends credit in connection with an employee stock option or stock purchase plan, is the credit extended pursuant to the special "plan-lender" provision set forth in Section 207.4(a) of Regulation G? Yes ☐ No ☐

Schedule A[1]

Securities Credit

(Cents omitted)

As of ______________

	I Total Credit outstanding at end of quarter			II New Credit extended during quarter				III New Credit arranged during quarter			
	Amount			No. of loans	Amount			No. of loans	Amount		
	Mil	Thou	Hnd		Mil	Thou	Hnd		Mil	Thou	Hn
A. Credit Extended or Arranged to Purchase or Carry Margin Securities (Purpose Loans)											
1. Secured directly by margin securities:											
a. listed stocks and OTC margin stocks											
b. debt securities convertible into margin stock.											
c. mutual funds and other margin securities											
2. Secured indirectly by margin securities											
3. TOTAL (Purpose Credit)											
B. Other Credit Extended or Arranged (Non-Purpose Loans)											
1. Secured directly by margin securities:											
a. listed stocks and OTC margin stocks											
b. debt securities convertible into margin stock.											
c. mutual funds and other margin securities											
2. Secured indirectly by margin securities											
3. TOTAL (Non-Purpose Credit)											

---

[1] "Credit Outstanding" (Column I of Schedule A) includes all credit extended by the registrant during the quarter covered by this report, and during previous quarters, that has not been extinguished before the end of the quarter covered by this report. "Credit Extended" (Column II of the above schedule) is credit extended by the registrant at any time during the calendar quarter covered by this report. An increase in an existing loan is new credit. "Credit Arranged" (Column III of the above schedule) is credit which the registrant arranged to have extended by another party at any time during the calendar quarter covered by this report. Column II (extended) and Column III (arranged) include all new credit extended or arranged during the quarter covered by this report regardless of whether such credit has been extinguished at the end of the quarter.

Schedule B

(To be completed only by firms not submitting corporate balance sheets certified by an independent public accountant or used to meet reporting requirements of a State or Federal regulatory authority.)

Balance Sheet

(Cents omitted)

As of ______________

ASSETS

Cash and bank deposits ______________

Trade accounts and notes receivable (net of allowance for bad debts of ______________) ______________

Other accounts and notes receivable (include credit to executives and employees) ______________

Marketable securities ______________

Inventories ______________

Investments in non-consolidated subsidiaries ______________

Fixed assets (net of depreciation) ______________

All other assets ______________

TOTAL ASSETS ______________

LIABILITIES AND NET WORTH

Short-term bank borrowings ______________

Other notes and accounts payable ______________

Long-term debt ______________

All other liabilities ______________

TOTAL LIABILITIES ______________

Capital stock ______________

Additional paid-in-capital ______________

Retained earnings/undivided profits ______________

Total Equity Capital 2/ ______________

TOTAL LIABILITIES AND EQUITY CAPITAL ______________

Certification

The registrant filing this registration form and any attachments thereto and the person by whom it is executed represent hereby that all information contained therein is true and complete.

______________ Date

______________ Signature of sole proprietor, general partner, managing agent, or principal officer

______________ Title

A FALSE OR DISHONEST STATEMENT ON THIS FORM MAY BE PUNISHABLE BY FINE OR IMPRISONMENT
(U.S. CODE, TITLE 15, SECTION 78ff AND TITLE 18, SECTION 1001)

2/ Registrants not reporting capital stock, additional paid-in-capital or retained earnings/undivided profits must nevertheless indicate total equity capital.

Appendix B

This deregistration statement is required by law
(15 U.S.C. 78g; 12 C.F.R. 207.1).

F.R. Form G-2
OMB No. 55-S77001
Approved by Federal Reserve Board and OMB (5/77)
Approval expires (5/80)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DEREGISTRATION STATEMENT FOR PERSONS REGISTERED PURSUANT TO REGULATION G

Federal Reserve Form G-2

B. For use by Corporate Registrants.

Officer's Certificate

I hereby certify that ______________________________ ("Corporation") has not extended or arranged for the extension or maintenance of any credit secured, directly or indirectly, in whole or in part, by collateral that includes any margin securities during the six calendar months prior to the date hereof and has not had more than $200,000 of such credit outstanding at any time during such period.
Name of corporation

It is understood that if the Corporation shall, in the future, extend or arrange for the extension of a total of $100,000 or more during any calendar quarter, or has outstanding at any time during a calendar quarter a total of $500,000 or more, in credit that is secured directly or indirectly, in whole or in part, by collateral that includes any margin securities, the Corporation shall within 30 days following the end of such calendar quarter reregister and remain registered for at least six months with the Board of Governors of the Federal Reserve System by filing Federal Reserve Form G-1 with the Federal Reserve Bank of the district in which the principal office of the Corporation is located.

This certification is given in connection with an application for termination of registration pursuant to Section 207.1(b) of Regulation G of the Board of Governors of the Federal Reserve System.

In witness whereof I have hereunto set my hand and affixed the seal of the corporation this

____________________ day of ____________________, 19____.

SEAL

____
Signature of duly authorized officer

____
Print or type name

____
Title

ATTEST: ______________________________
Corporate secretary

A FALSE OR DISHONEST STATEMENT ON THIS FORM MAY BE PUNISHABLE BY FINE OR IMPRISONMENT
(U.S. CODE, TITLE 15, SECTION 78ff AND TITLE 18, SECTION 1001)

Appendix C

F. R. Form G-3
Rev. 6-69

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

STATEMENT OF PURPOSE OF AN EXTENSION OF CREDIT SECURED BY MARGIN SECURITIES BY A PERSON SUBJECT TO REGISTRATION UNDER REGULATION G (FEDERAL RESERVE FORM G-3)

A FALSE OR DISHONEST STATEMENT ON THIS FORM
MAY BE PUNISHABLE BY FINE OR IMPRISONMENT
(U.S. CODE, TITLE 15, SECTION 78ff AND TITLE 18, SECTION 1001)

Instructions:

(1) Please print or type (if space is inadequate attach separate sheet).
(2) The term "margin security" is defined in § 207.2(d) of Regulation G. See also § 207.2(e).
(3) Part I (3) and (4) need be filled in only if the purpose of the credit described in Part I (1) is other than to purchase or carry margin securities.
(4) In Part II "source of valuation" need be filled in only if such source is other than regularly published information in journal of general circulation.
(5) Part II need not be completed in the case of a credit of $5,000 or less which is not for the purpose of purchasing or carrying margin securities. However, in such cases, Part I must be completed as if Part II were completed.

PART I (to be completed by customer(s))

(1) The purpose of this credit in the amount of $ ______, secured in whole or in part by the margin securities listed in Part II (A) and (B) is (describe in detail) ______

(2) ______ (Name of person extending credit), has outstanding, or has agreed to extend, to the undersigned, the following credits in addition to the credit described on this form (itemize and describe briefly, including amounts and collateral if any). If none, so state ______

(3) Is any of the collateral listed in Part II (A) or (B) to be delivered, or has any such collateral been delivered, from a bank, broker, dealer, or person other than the undersigned? Yes ☐ No ☐

If yes, from whom? ______ Against payment? Yes ☐ No ☐

(4) Has any of the collateral listed in Part II (A) or (B) been owned less than six months? Yes ☐ No ☐ If yes, identify all such collateral so owned. ______

The undersigned has (have) read this form and hereby certifies and affirms that to the best of my (our) knowledge and belief the information contained therein is true, accurate, and complete.

SIGNED ______ (Manual signature) ______ (Date)
______ (Print or type name)

SIGNED ______ (Manual signature) ______ (Date)
______ (Print or type name)

PART II (to be completed by person extending credit)

(A) Collateral consisting of margin securities, other than debt securities convertible into margin securities. The loan value of such securities under the current Supplement to Regulation G is   per cent.

No. of shares	Itemize separately by issue	Market price per share	Source of valuation	Total market price per issue

(B) Collateral consisting of debt securities convertible into margin securities. The loan value of such securities under the current Supplement to Regulation G is   per cent.

Par value	Itemize separately by issue	Market price	Source of valuation	Total market price per issue

(C) Other collateral.

Describe briefly (itemize where 10 per cent or more)	Market value	Source of valuation	Good faith loan value

The undersigned, a person subject to registration under Regulation G, is aware that this credit secured by margin securities may be subject to Regulation G, has read this form, has accepted the customer's statement on Part I in good faith as defined below*, and hereby certifies and affirms that to the best of his knowledge and belief all the information contained therein is true, accurate, and complete.

Date   SIGNED

(Manual signature)

(Print or type name and title)

* Regulation G requires that the customer's statement on this form be accepted by the person extending the credit in good faith. Good faith requires that such person (1) must be alert to the circumstances surrounding the credit, and (2) if he has any information which would cause a prudent man not to accept the statement without inquiry, has investigated and is satisfied that the statement is truthful. Among the facts which would require such investigation are receipt of the statement through the mail or from a third party.

THIS FORM MUST BE RETAINED BY THE PERSON EXTENDING THE CREDIT FOR AT LEAST THREE YEARS AFTER THE TERMINATION OF THIS CREDIT

Appendix D

This report is required by law
(15 U.S.C. 78g; 12 C.F.R. 207.3).

Page 1

F.R. Form G-4
OMB No. 55-S77001
Approved by Federal Reserve Board and OMB (5/77)
Approval expires (5/80)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

ANNUAL REPORT
Federal Reserve Form G-4

For the year ended June 30, 19___

____

Name of registrant — IRS Identification No.*

____

Address of principal office

General Instructions and Definitions

Who must file: Section 207.3(a) of the Federal Reserve Regulation G requires a report on Form G-4 to be filed by every person subject to the registration requirement of Section 207.1(a) of the rule. Any person registered under the regulation may apply for termination of registration by filing F.R. Form G-2 [see Section 207.1(b)], if such person has not extended or arranged for the extension or maintenance of any credit secured, directly or indirectly, in whole or in part, by collateral that includes any margin securities during the six calendar months prior to the date hereof and has not had more than $200,000 of such credit outstanding at any time during such period.

When and where to file: Form G-4 shall be filed, ***in duplicate***, with the Federal Reserve Bank of the district in which the registrant's principal place of business is located, within 30 days following June 30 of each calendar year.

What to file: The registrant is required to file with this report a copy of the registrant's balance sheet, certified by an independent public accountant, as of the end of its most recent fiscal year. If a certified balance sheet is not available, registrant should file with this report a balance sheet in the form prescribed by Schedule B on F.R. Form G-1 or, if subject to supervision by a State or Federal regulatory agency, the latest balance sheet filed with such agency.

Definitions: Terms used in this form are explained below. Precise definitions may be found in Section 207.2 of Regulation G.

Person: Any individual, corporation, partnership, association, joint stock company, business trust, or unincorporated organization.

Registrant: Any person who is subject to the registration requirement of Section 207.1(a).

Purpose credit: Credit extended for the purpose of purchasing or carrying margin securities, or to reduce or retire indebtedness previously incurred for that purpose.

Margin Security: Includes (1) stocks registered on a national securities exchange and stocks on the Federal Reserve Board's list of OTC margin stocks, (2) debt securities that are convertible into or carry a warrant or right to subscribe to or purchase margin securities, (3) any such warrant or right, and (4) shares of most mutual funds.

Indirectly secured: In general, credit is indirectly secured by margin securities if there is an understanding between the borrower and the lender (1) which is designed to make the margin securities more available to the lender in case of default than to the borrower's other creditors, or (2) which limits the borrower from exercising full dominion over the margin securities to sell, pledge, or donate them, or determining where they shall be placed physically.

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* A registrant who is an individual is not required to disclose his or her Social Security number.

Instructions for Completing Schedule of Securities Credit

A. Report all Purpose Credit extended or arranged during the reporting period, as well as all purpose credit outstanding as of June 30, on Part A of the Schedule of Securities Credit.

B. Registrants reporting Purpose Credit in Part A must also complete Part B unless the total amount of Non-purpose Credit extended by the registrant is less than 5 per cent of such registrant's total receivables. In such case, registrant should check Exemption Statement number two (2) below.

C. Registrants **not** reporting Purpose Credit in Part A must complete Part B unless (1) the total amount of Non-purpose Credit extended by the registrant is less than 25 per cent of such registrant's total assets, or (2) the total amount of Non-purpose Credit extended by the registrant is less than 5 per cent of registrant's total receivables. In such case, the registrant should check the appropriate exemption statement below.

D. Registrants who maintain records based upon fiscal quarters that do not coincide with calendar quarters have an option of reporting credit outstanding, extended, and arranged in a slightly different manner. These registrants may report the annual data required by F.R. Form G-4 as of the year ended on either April 30 or May 31. A registrant reporting in this manner should change the date in Column I of the Schedule of Securities Credit to reflect the year end date used.

Exemption Statements

(Check appropriate box if statement is applicable)

1. Registrant does not have any purpose loans outstanding at the end of the year covered by this report and has not extended or arranged to have extended any purpose loans at any time during the year, and registrant has outstanding non-purpose loans, if any, secured directly or indirectly by margin securities, amounting to less than 25 per cent of registrant's total assets. ☐

2. Registant has extended total non-purpose credit secured directly or indirectly by margin securities amounting to less than 5 per cent of registrant's total receivables. ☐

Stock Option or Employee Stock Purchase Plan Credit

1. a. Is part or all of the above credit extended or arranged pursuant to a stock option or employee stock purchase plan? Yes ☐ No ☐

   b. If "yes," does the credit qualify under the special plan-lender provisions set forth in Section 207.4(a) of Regulation G? If "yes," please submit the latest prospectus describing the plan if not previously furnished. Yes ☐ No ☐

2. If credit reported in Column I of the Schedule of Securities Credit includes outstanding stock option or employee stock purchase plan credit, please report the following:

   Outstanding plan-lender credit pursuant to Section 207.4(a) $ __________

   Outstanding plan-lender credit extended pursuant to the general margin requirement Section 207.1(c) $ __________

Schedule of Securities Credit [1]

(Cents omitted)

	I Total credit outstanding as of June 30, ___			II New credit extended during reporting period				III New credit arranged during reporting period			
	Amount			No. of loans	Amount			No. of loans	Amount		
	Mil	Thou	Hnd		Mil	Thou	Hnd		Mil	Thou	Hnd
A. Credit Extended or Arranged to Purchase or Carry Margin Securities (Purpose Loans)											
1. Secured directly by margin securities:											
a. listed stocks and OTC margin stocks											
b. debt securities convertible into margin stocks											
c. mutual funds and other margin securities											
2. Secured indirectly by margin securities											
3. TOTAL (Purpose Credit)											
B. Other Credit Extended or Arranged (Non-Purpose Loans)											
1. Secured directly by margin securities:											
a. listed stocks and OTC margin stocks											
b. debt securities convertible into margin stocks											
c. mutual funds and other margin securities											
2. Secured indirectly by margin securities											
3. TOTAL (Non-Purpose Credit)											

---

[1] "Credit Outstanding" (Column I of the Schedule of Securities Credit) includes all credit extended by the registrant during the year covered by this report, and during previous years, that has not been extinguished before the end of the year covered by this report. "Credit Extended" (Column II of the above schedule) is credit extended by the registrant at any time during the year covered by this report. An increase in an existing loan is new credit. "Credit Arranged" (Column III of the above schedule) is credit which the registrant arranged to have extended by another party at any time during the year covered by this report. Column II (extended) and Column III (arranged) include all new credit extended or arranged during the year covered by this report regardless of whether such credit has been extinguished at the end of the year.

Changes in Background Information

(For nature of material included in background information see the second page of F.R. Form G-1 Registration Statement)

Have there been any changes in background information since the previous report? Yes ☐ No ☐

If yes, describe any such changes:

Registrants Arranging for Credit

If any new credit has been arranged during the year covered by this report (as reported in Column III of the Schedule of Securities Credit on page 3) describe such arrangements briefly, indicating (1) number of transactions arranged with each person extending credit, (2) registrant's relationship with each person extending credit and (3) type of business conducted by, and principal location of each person extending credit. If information is available, state the maximum amount of such arranged credit which was outstanding at any one time during the year covered by this report.

Certification

The registrant filing this annual report and any attachment thereto and the person by whom it is executed represent hereby that all information contained therein is true and complete.

Date

Signature of sole proprietor, general partner, managing agent, or principal officer

Print or type name and title

A FALSE OR DISHONEST STATEMENT ON THIS FORM MAY BE PUNISHABLE BY FINE OR IMPRISONMENT (U.S. CODE, TITLE 15, SECTION 78ff AND TITLE 18, SECTION 1001)

Appendix E

F.R. Form X-1
11-71

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

RECORD WHICH BORROWERS ARE REQUIRED TO MAKE AND MAINTAIN OF FACTS CONCERNING CREDIT COLLATERALIZED BY SECURITIES

WHEN SUCH CREDIT IS OBTAINED FROM OUTSIDE THE UNITED STATES

*PURSUANT TO REGULATION X
"RULES GOVERNING BORROWERS WHO OBTAIN SECURITIES CREDIT"
(FEDERAL RESERVE FORM X-1)

A FALSE OR DISHONEST STATEMENT BY A BORROWER ON THIS FORM OR ANY SCHEDULE THERETO MAY BE PUNISHABLE BY FINE OR IMPRISONMENT (U.S. CODE, TITLE 15, SECTION 78ff AND TITLE 18, SECTION 1001)

Unless specifically exempted from the provisions of Regulation X, the following borrowers must complete this record or a record substantially in conformity with this form at or prior to the time when credit is obtained from any source outside the United States, other than a foreign branch or subsidiary of a United States broker or dealer who is subject to Regulation T, if the credit is secured in any way by collateral that includes any United States security or security registered on a national securities exchange:

United States persons,
Foreign persons who are controlled by United States persons, or
Foreign persons acting on behalf of or in conjunction with United States persons.

Date credit obtained .... Amount of credit $....................

Purpose of this credit (state in detail) ....

....

Credit is secured by following securities (attach schedule including name of issuer, type or class of securities, number of shares, and market value on date credit is obtained) ....

....

Name and address of lender extending credit ....

....

Name and address of United States person the borrower is controlled by, or is acting on behalf of or in conjunction with, if applicable (such person must obtain and retain a copy of the filled in form) ....

....

Name, address, and occupation of any person arranging credit ....

....

The undersigned hereby certifies and affirms that to the best of my (our) knowledge and belief the information contained herein is true, accurate, and complete.

SIGNED .... (Manual signature) (Date)   SIGNED .... (Manual signature) (Date)

.... (Type or print name)   .... (Type or print name)

Address of borrower ....

---

* Copies of Regulation X may be obtained from any Federal Reserve Bank in the United States and are available at United States Embassies and consular posts.

THIS FORM MUST BE RETAINED BY THE BORROWER AND BY ANY UNITED STATES PERSON REQUIRED TO OBTAIN AND RETAIN A COPY FOR AT LEAST 6 YEARS AFTER THE TERMINATION OF THIS CREDIT

The terms used on this record have the meanings given them below; for additional definitions, please refer to section 224.5 of Regulation X, section 3(a) or 7(f) of the Securities Exchange Act of 1934 as amended, or Regulations G, T, or U issued by the Board of Governors of the Federal Reserve System.

The term **"United States person"** includes a person which is organized or exists under the laws of any State or, in the case of a natural person, citizen or resident of the United States; a domestic estate: or a trust in which one or more of the foregoing persons has a cumulative direct or indirect beneficial interest in excess of 50 per centum of the value of the trust.

The term **"foreign person controlled by a United States person"** includes any noncorporate entity in which United States persons directly or indirectly have more than a 50 per centum beneficial interest, and any corporation in which one or more United States persons, directly or indirectly, own stock possessing more than 50 per centum of the total combined voting power of all classes of stock entitled to vote, or more than 50 per centum of the total value of shares of all classes of stock.

The term **"acting on behalf of or in conjunction with"** in reference to a foreign person means obtaining credit for the purpose of purchasing or carrying a security in which, or in the income or gains or losses from which, a United States person or a foreign person controlled by a United States person has a substantial direct or indirect beneficial interest. Absent these factors the term does not include an interest derived solely from the ownership of less than 50 per cent of the outstanding capital stock issued by such foreign person who is obtaining such credit.

The term **"obtain credit"** means to obtain, receive, or enjoy the beneficial use of credit.

The term **"United States"** includes any State of the United States, the District of Columbia, Puerto Rico, the Canal Zone, the Virgin Islands, or any other possession of the United States.

The term **"lender"** means a person who in the ordinary course of his business extends, maintains, or arranges for credit, including a G-lender, a broker/dealer, a bank, and a foreign lender.

The term **"G-lender"** means a person who is not a broker/dealer or bank, who in the ordinary course of his business extends, maintains, or arranges credit that is secured, directly or indirectly, in whole or in part, by collateral that includes any margin securities, and who is subject to the registration requirement of section 207.1(a) of Part 207 (Regulation G).

The term **"bank"** means a bank as defined in section 3(a)(6) of the Securities Exchange Act of 1934, including a foreign branch of a bank, except that such term does not include a bank which is a member of a national securities exchange, a foreign affiliate of a bank, or a foreign bank.

The term **"foreign lender"** means a person, other than a United States person, who in the ordinary course of his business extends, maintains, or arranges purpose credit outside the United States and who is not a foreign branch or subsidiary of a broker/dealer, a foreign branch of a bank, or a foreign branch of a G-lender.

The term **"arranging for credit"** refers to any activity in relation to the credit absent which the credit would not be obtained or any participation indispensable and necessary to the completion of the credit transaction.

PART 13

FINANCIAL RECORD KEEPING AND REPORTING OF CURRENCY AND FOREIGN TRANSACTIONS REPORTING ACT

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Appendix A—Form 4789—Currency Transaction Report

Appendix B—Form 4790—Report of International Transportation of Currency or Monetary Instruments

PART 13

FINANCIAL RECORD KEEPING AND REPORTING OF CURRENCY AND FOREIGN TRANSACTIONS REPORTING ACT

A. WHY WAS IT ENACTED?

The regulation, which became effective on July 1, 1972, was enacted as an effort to frustrate elements of organized crime who use secret foreign accounts to conceal violations of law as well as untaxed income derived from illegal activities. The law is intended to benefit both foreign-related and domestic law enforcement efforts, especially tax investigations, without unduly burdening legitimate commerce. The regulation does not subject the normal credit union transactions of private citizens to Government scrutiny.

B. HOW ARE CREDIT UNIONS AFFECTED?

The regulation requires all financial institutions (including credit unions) to maintain records of certain currency transactions, to report the transportation of currency or monetary instruments in excess of $5,000 into or out of the country and to report currency transactions in excess of $10,000.

The Administrator of the National Credit Union Administration has been given responsibility for determining that Federal credit unions comply with the regulation. The regulation does not, however, give law enforcement officers of the U.S. Treasury Department any additional authority to gain access to the records of credit unions. Access by the Government is subject to existing laws regarding subpeona, administrative summons and other legal processes.

The following is intended to familiarize you with the provisions of the regulation as they relate to credit unions.

1. REPORTS OF CURRENCY TRANSACTIONS BY CREDIT UNIONS

A credit union is required to file a report of each deposit, withdrawal, exchange of currency or other payment or transfer by, through or to it which involves a transaction of currency of more than $10,000. Each report of a transaction must be filed on IRS Form 4789 (Currency Transaction Report), a copy of which is illustrated in Appendix A. It must be filed with the Commissioner of Internal Revenue on or before the forty-fifth day following that on which the reported transaction occurred.

The Regulation does not require reports of transactions solely with financial institutions or foreign banks or transactions with an established member maintaining a deposit relationship with the credit union, in amounts which the credit union may reasonably conclude do not exceed amounts commensurate with the customary conduct of the business, industry or profession of the member concerned. A report listing those members who engage in transactions which are not reported because of the exemption contained in this paragraph shall be made to the Secretary of the Department of Treasury upon demand by him.

2. REPORTS OF TRANSPORTATION OF CURRENCY OR MONETARY INSTRUMENTS

A credit union is required to file Customs Form 4790, Report of International Transportation of Currency or Monetary Instruments, a copy of which is illustrated in Appendix B, within 30 days after the deposit or withdrawal of the currency or other monetary instruments when it has knowledge that the person has or intends to physically transport or mail currency or other monetary instruments exceeding $5,000 from the United States (or into the United States from any place outside the United States).

A person is deemed to have caused such transportation or mailing when he aids, abets, counsels, commands, procures or requests it to be done by a financial institution or any other person. A transfer of funds through normal banking procedures which does not involve the physical transportation of currency or monetary instruments is not required to be reported. A credit union is exempt from this requirement with respect to shipments received or transmitted through the postal service or by common carrier; however, shipments by any other means of transportation must be reported.

Before completing any transaction which requires filing of either Form 4789 or 4790, a credit union should verify and record the account or social security number of the member with whom or for whose account the transaction is being made. It is also important to note that a remittance or transfer of funds, currency or other monetary instruments or checks to the domestic account of a person whose permanent address is known by the credit union to be outside the United States shall be considered a transaction outside the United States for the purpose of this regulation.

3. MEMBERS' ACCOUNTS MUST BE IDENTIFIED BY THEIR TAXPAYER IDENTIFICATION NUMBERS

With respect to each deposit or share account opened after June 30, 1972, by a person residing or doing business in the United States, each credit union must, within forty-five days from the date the account is opened, secure and maintain a record of the taxpayer identification number of the person maintaining the account.

For individuals, the taxpayer identification number is his social security number. For corporations, partnerships and other entities it is the IRS employer identification number. If an account is opened in more than one individual's name, the credit union is required to secure and maintain the social security number of at least one individual having a financial interest in that account.

In determining the proper identification number to be obtained for accounts opened in more than one name, the credit union should follow the regulations and ruling issued by the Internal Revenue Service under Section 6109 of the Internal Revenue Code. The following guidelines have been issued by IRS under that section:

FOR THIS TYPE OF ACCOUNT:	OBTAIN SOCIAL SECURITY NUMBER OF:
1. An individual's account	The individual
2. Husband and Wife (joint account)	The husband
3. Adult and minor (joint account)	The adult
4. Two or more individuals (joint account)	Any one of the individuals
5. Account in the name of guardian or committee for a designated ward, minor, or incompetent person	The ward, minor or incompetent person
6. Custodian account of a minor (Uniform Gifts to Minor Acts)	The minor
7. So-called trust account that is not a legal or valid trust under State law	The real owner
8. A valid trust, estate, or pension trust	Legal entity. Do not furnish the identifying number of the administrator, executor, or trustee unless the legal entity itself is not designated in the account title.
9. Corporate account	The corporation
10. Religious, charitable, or educational organizational account	The organization
11. Proprietorship account held in the name of the business	The proprietorship
12. Partnership account held in the name of the business.	The partnership
13. Association, club, or other tax-exempt organization	The organization
14. A broker or registered nominee	The broker or nominee

With respect to accounts opened for trusts, charitable organizations, clubs and similar entities the credit union should secure the employer identification number of the entity. An employer identification number should be obtained for this purpose even though the organization might not otherwise require one.

A taxpayer identification number need not be secured for accounts for public funds and accounts for aliens who are representatives of foreign governments, certain international organizations and those residing in the United States for a period not to exceed 180 days. Taxpayer Identification Numbers are also not required for Christmas Club, Vacation Club and similar savings accounts if the interest does not exceed $10.

If the member does not have a social security number or is unaware of his number, he can authorize the Social Security Administration to furnish his identification number to the credit union. This authorization may be printed or stamped on the back of Form SS-5 (Application for Social Security Number), in the space immediately above the legend, "For Bureau of Data Processing and Accounts Use". The Authorization must contain the following language:

Please furnish my SSN to:

NAME ______________________________

ADDRESS ___________________________

SIGNATURE _________________________

The member should complete Form SS-5 and sign the statement on the back of the form. The credit union should mail the completed form to the Social Security Administration in the pre-addressed envelope provided and retain a copy (duplicate or photocopy) of the application until the number is received. The Social Security Administration, however, does not require the Form SS-5 or the authorization statement to be signed by a parent or guardian even though the member is under eighteen years of age.

A similar procedure may be used to obtain employer identification numbers. Upon proper authorization by the applicant on the back of Part 2 of the first page of the Form SS-4 (Application for Employer Identification Number), the IRS will furnish the employer identification number to both the applicant and the credit union. Financial institutions may obtain supplies of Forms SS-4 and SS-5 and pre-addressed envelopes from any Internal Revenue Service Center or District Office.

In the event that a credit union has been unable to secure the identification required herein with respect to an account within the forty-five day period specified, it shall not be deemed to be in violation of this requirement if (a) it has made a reasonable effort to secure such identification and (b) it maintains a list containing the names, addresses and account numbers of those persons from whom it has been unable to secure such identification, and makes the names, addresses, and account numbers of those persons available to the Department of the Treasury upon request.

A reasonable effort to obtain a taxpayer identification number should include the mailing of a written request. The request should inform the member that the credit union is required to maintain, for the use of the Department of the Treasury, a list of members who have failed to supply the credit union with a TIN (Tax Identification Number) within the forty-five day period.

The forty-five day period provided for shall be extended where the member has applied for an employer identification number or social security number on Form SS-4 or SS-5 until such time as the member has had a reasonable opportunity to secure the number and furnish it to the institution.

4. CREDIT UNIONS MUST MAINTAIN AND RETAIN CERTAIN RECORDS

A credit union shall retain and make accessible either the original or a microfilm or reproduction of each of the following for a period of 5 years:

(a) A record of each extension of credit in an amount in excess of $5,000 except an extension of credit secured by an interest in real estate. The record should contain the name and address of the person who is making the loan, the amount thereof, purpose of the loan and the date the loan was made.

NOTE: It is not necessary for the credit union to prepare special records. All of the above information would ordinarily appear on the member's ledger card and the loan application.

(b) A record of each advice (request) received by the credit union which results in the transfer of any form of more than $10,000 to a person, account or place outside the United States.

(c) A record of each advice (order) given by the credit union to another financial institution or person, wherever located, intended to result in the transfer in any form of more than $10,000 to a person, account or place outside the United States.

(d) A signature card for each account and any other document granting signature authority over the account.

(e) A statement, ledger card or other record of each member's share account, showing each transaction in, or with respect to, that account.

(f) A statement, ledger card or other record of each demand deposit account maintained by the credit union in commercial banks.

(g) A check or draft of more than $10,000 sent to a person, account or place outside the United States.

(h) Evidence of submittal or transfer of funds (currency or checks) of more than $10,000 to a person, account or place outside the United States.

(i) A check or draft in an amount in excess of $10,000 drawn on or issued by a foreign bank, which the credit union has paid or presented to a non-bank drawee for payment.

(j) A check, draft or transfer of credit of more than $10,000 received directly and not through a domestic institution, by letter, cable or any other means, from a bank, broker or dealer in foreign exchange outside the United States.

(k) A record of each receipt of currency, other monetary instruments, investment securities or checks, and of each transfer of funds or credit of more than $10,000 received on any one occasion directly (and not through a domestic financial institution) from a bank, broker or dealer in foreign exchange outside the United States.

These records must be stored in such a way as to be accessible within a reasonable period of time, taking into consideration the nature of the record and its age. If a copy of a document is maintained, it should be of both the front and back of the instrument.

C. DEFINITIONS

Knowledge of the meaning of the following terms is necessary if you are to determine the types of transactions your credit union may handle that are subject to this regulation.

Bank (a) Each agency, branch or office within the United States or any person doing business in one or more of the capacities listed below:

(1) a commercial bank or trust company organized under the laws of any state or of the United States;

(2) a private bank

(3) a savings and loan association or a building and loan association organized under the laws of any state or of the United States;

(4) an insured institution as defined in section 401 of the National Housing Act;

(5) a savings bank, industrial bank or other thrift institution

(6) a credit union organized under the laws of any state or of the United States; and

(7) any other organization chartered under the banking laws of any state and subject to the supervision authorities of a state.

(b) Each agent, agency, branch or office (within the United States) of a foreign bank.

Broker or dealer in securities. A broker or office in securities registered or required to be registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934.

Currency. The coin and currency of the United States or of any other country which circulate in and are customarily used and accepted as money in the country in which issued. It includes United States silver certificates, United States notes and Federal Reserve notes, but does not include bank checks or other negotiable instruments not customarily accepted as money.

Domestic. When used herein, refers to the doing of business within the United States and limits the applicability of the provision wherein it appears to the performance by such institutions or agencies of functions within the United States.

Financial Institution. Each agency, branch or office within the United States or any person doing business in one or more of the capacities listed below:

(a) a bank;

(b) a broker or dealer in securities;

(c) a person who engages as a business in dealing in or exchanging currency as, for example, a dealer in foreign exchange or a person engaged primarily in the cashing of checks;

(d) a person who engages as a business in the issuing, selling or redeeming of travelers' checks, money orders or similar instruments, except one who does so as a selling agent exclusively or as an identical part of another business;

(e) an operator of a credit card system which issues, or authorizes the issuance of, credit cards that may be used for the acquisition of monetary instruments, goods, or services outside the United States;

(f) a licensed transmitter of funds, or other person engaged in the business of transmitting funds abroad for others.

Foreign bank. A bank organized under foreign law, or an agency, branch or office of a bank located outside the United States. *The term does not include* an agent, agency, branch or office within the United States of a bank organized under foreign law.

Investment security. An instrument which

(a) is issued in bearer or registered form;

(b) is of a type commonly traded in securities exchanges or markets or commonly recognized in any area in which it is issued or dealt in as a medium for investment;

(c) is either one of a class or series or by its terms is divisible into a class or series of instruments; and

(d) evidences a share, participation or other interest in property or in an enterprise or evidences an obligation of the issuer.

Monetary instruments. Coin or currency of the United States or of any other country, travelers' checks, money orders, investment securities in bearer form or otherwise in such form that title thereto passes upon delivery. The term does not include bank checks made payable to the order of a named person which have not been endorsed or which bear restrictive endorsements.

Transaction in currency. A transaction involving the physical transfer of currency from one person to another. A transaction which is a transfer of funds by means of bank check, bank draft, wire transfer, or other written order, and which does not include the physical transfer of currency is not a transaction in currency within the meaning of this part.

D. CIVIL PENALTIES

For any willful violation of any requirement of this regulation, the Secretary of Treasury may assess on any credit union (or any director, officer or employee thereof who willfully participates in the violation) a civil penalty not exceeding $1,000.

For any failure to file a Currency Transportation Report or for any material omission or misstatement in a filed report, the Secretary of Treasury may assess a civil penalty of up to the amount of the shipment less any amount forfeited under Section 103.48 (see below).

E. FORFEITURE OF CURRENCY OR MONETARY INSTRUMENTS

Currency or monetary instruments, which are in the process of transportation on which a report is required, are subject to forfeiture to the United States at the discretion of the Treasury Department if the required report has not been filed or if it contains material omissions or misstatements.

F. CRIMINAL PENALTIES

Any person who willfully violates any provision of the regulation may, upon conviction, be fined not more than $1,000 or be imprisoned for not more than 1 year or both.

Any person who willfully violates a recordkeeping requirement, where such violation is committed in the furtherance of the commission of a federal felony, may, upon conviction, be fined up to $10,000 or be imprisoned for not more than 5 years or both.

Any person who willfully violates a reporting requirement as part of a pattern of illegal activity involving transactions exceeding $100,000 in any 12-month period, may upon conviction thereof, be fined not more than $500,000 or be imprisoned not more than 5 years or both.

Any person who knowingly makes any false statement in any report required by the regulation may, upon conviction, be fined not more than $10,000 or be imprisoned for not more than 5 years or both.

Appendix A

Form **4789**
(April 1972)
(Replaces TCR-1)
Department of the Treasury
Internal Revenue Service

Currency Transaction Report

File a separate report for each transaction
(Complete all applicable parts—see instructions)

Part I **Identity of person who conducted this transaction with the financial institution**

Name (Last, first and middle initial)	Social security number
Number and street	Business, occupation or profession
City or town, State and ZIP code	

Part II **Person or organization for whom this transaction was completed (Complete only if different than Part I)**

Name	Identifying number
Number and street	Business, occupation or profession
City or town, State and ZIP code	

Part III **Description of transaction** (If additional space is needed, attach a separate schedule)

1. Nature of transaction (check the applicable boxes)

- ☐ Deposit
- ☐ Withdrawal
- ☐ Currency exchange
- ☐ Check cashed
- ☐ Check purchased
- ☐ Traveler's checks purchased
- ☐ Security purchase (specify) ....
- ☐ Other (specify)

2. Total amount of currency transaction (in U.S. dollars)	3. Amount in denominations of $100 or higher	4. Date of transaction (Month, day and year)

5. If other than U.S. currency is involved, please furnish the following information:

Currency name	Country	Total amount of foreign currency

6. If a check was involved in this transaction, please furnish the following information (See instructions):

Date and amount of check	Payee
Drawer of check	Drawee bank and City of location

Part IV **Type of identification presented in this transaction**

By customers:

- ☐ Savings account number..
- ☐ Checking account number..
- ☐ Share account number..
- ☐ Loan account number..
- ☐ Safety deposit box number..
- ☐ Other (specify)

By others:

☐ Driver's permit	State	Number
☐ Passport	Country	Number
☐ Alien ID card	Country	Number
☐ Other (specify)		

Part V **Financial institution reporting the financial transaction**

Name and address	Identifying number (see instructions)
	Business activity

Sign here ▶ .... Authorized signature .... Title .... Date

General Instructions

This report is required by Treasury Department regulations (31 Code of Federal Regulations 103).

Who Must File.—Beginning July 1, 1972, each financial institution (as described in these instructions) shall file a report of each deposit, withdrawal, exchange of currency or other payment or transfer, by, through, or to such financial institution, which involves a transaction in currency of more than $10,000.

Exceptions.—Financial institutions are not required to file Form 4789 for transactions:

(1) with Federal Reserve Banks or Federal Home Loan Banks;

(2) solely with, or originated by, financial institutions or foreign banks; or

(3) between a bank and established customers maintaining a deposit relationship with the bank, in amounts which the bank may reasonably conclude do not exceed amounts commensurate with the customary conduct of the customer's business, industry or profession.

However, upon request each bank shall submit a report listing those customers who engage in transactions which were not reported because of the exemption in (3).

When and Where to File.—This report shall be filed on or before the 45th day following the date of the transaction with the Internal Revenue Service Center, 11601 Roosevelt Boulevard, Philadelphia, Pennsylvania 19155. Forms may be obtained from any Internal Revenue Service office.

Identifying Number.—Social security number or employer identification number if other than individual.

Identification Required.—Before any transaction is effected a financial institution shall verify and record the identity, and record the account number on its books or the social security or taxpayer identification number, if any, of a person with whom or for whose account such transaction is to be effected. Verification of identity for a customer of the financial institution depositing or withdrawing funds may be by reference to his account or other number on the books of the institution. Verification of identity in any other case may be by examination, for example, of a driver's license, passport, alien identification card, or other appropriate document normally acceptable as a means of identification.

Penalties.—Civil and criminal penalties are provided for failure to file a report or to supply information, and for filing a false or fraudulent report. See sections 103.47 and 103.49 of the regulations.

Specific Instructions

Part I.—(1) In the address block, enter the permanent address of the person conducting the transaction.

(2) In the social security block, enter the social security number of the person conducting the transaction. If the person has no number, write "None" in this block.

Part II.—(1) In the name block, individuals should enter their last name, first name and middle initial, if any, in that order. All others should enter their complete organization name.

(2) In the identifying number block, enter the social security number or employer identification number.

Part III, line 6.—This part should be completed only where a check is cashed or a bank check is purchased with currency.

Part IV.—See instruction "Identification Required," above.

Part V.—Institutions may also enter in the name and address block other identifying information.

Definitions

Bank.—Each agent, agency, branch or office within the United States of a foreign bank and each agency, branch or office within the United States of any person doing business in one or more of the capacities listed below:

(1) a commercial bank or trust company organized under the laws of any state or of the United States;

(2) a private bank;

(3) a savings and loan association or a building and loan association organized under the laws of any state or of the United States;

(4) an insured institution as defined in section 401 of the National Housing Act;

(5) a savings bank, industrial bank or other thrift institution;

(6) a credit union organized under the laws of any state or of the United States; and

(7) any other organization chartered under the banking laws of any state and subject to the supervision of the bank supervisory authorities of a state.

Currency.—The coin and currency of the United States or of any other country, which circulate in and are customarily used and accepted as money in the country in which issued. It includes United States silver certificates, United States notes and Federal Reserve notes, but does not include bank checks or other negotiable instruments not customarily accepted as money.

Financial Institution.—Each agency, branch or office within the United States of any person doing business in one or more of the capacities listed below:

(1) a bank;

(2) a broker or dealer in securities, registered or required to be registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934;

(3) a person who engages as a business in dealing in or exchanging currency as, for example, a dealer in foreign exchange or a person engaged primarily in the cashing of checks;

(4) a person who engages as a business in the issuing, selling or redeeming of travelers' checks, money orders, or similar instruments, except one who does so as a selling agent exclusively, or as an incidental part of another business;

(5) an operator of a credit card system which issues, or authorizes the issuance of, credit cards that may be used for the acquisition of monetary instruments, goods, or services outside the United States.

(6) a licensed transmitter of funds, or other person engaged in the business of transmitting funds abroad for others.

Person.—An individual, a corporation, a partnership, a trust or estate, a joint stock company, an association, a syndicate, joint venture, or other unincorporated organization or group, and all entities cognizable as legal personalities.

Transaction in Currency.—A transaction involving the physical transfer of currency from one person to another. A transaction which is a transfer of funds by means of bank check, bank draft, wire transfer, or other written order, and which does not include the physical transfer of currency is not a transaction in currency within the meaning of this part.

Appendix B

Customs Use Only

Control No.

31 USC 1101; 31 CFR 103.23 and 103.25

Please Type or Print

DEPARTMENT OF THE TREASURY
UNITED STATES CUSTOMS SERVICE

REPORT OF INTERNATIONAL TRANSPORTATION OF CURRENCY OR MONETARY INSTRUMENTS

Form Approved
O.M.B. No. 48-R0535

This form is to be filed with the United States Customs Service

Privacy Act Notification on reverse

PART I - FOR INDIVIDUAL DEPARTING FROM OR ENTERING THE UNITED STATES

1. NAME *(Last or family, first and middle)*

2. IDENTIFYING NO. *(See instructions)*

3. DATE OF BIRTH *(Mo./Da./Yr.)*

4. PERMANENT ADDRESS IN UNITED STATES OR ABROAD

5. OF WHAT COUNTRY ARE YOU A CITIZEN/SUBJECT?

6. ADDRESS WHILE IN THE UNITED STATES

7. PASSPORT NO. & COUNTRY

8. U.S. VISA DATE

9. PLACE UNITED STATES VISA WAS ISSUED

10. IMMIGRATION ALIEN NO. *(If any)*

11. CURRENCY OR MONETARY INSTRUMENT WAS: *(Complete 11A or 11B)*

A. EXPORTED		B. IMPORTED	
Departed From: *(City in U.S.)*	Arrived At: *(Foreign City/Country)*	From: *(Foreign City/Country)*	At: *(City in U.S.)*

PART II - FOR PERSON SHIPPING, MAILING OR RECEIVING CURRENCY OR MONETARY INSTRUMENTS

12. NAME *(Last or family, first and middle)*

13. IDENTIFYING NO. *(See instructions)*

14. DATE OF BIRTH *(Mo./Da./Yr.)*

15. PERMANENT ADDRESS IN UNITED STATES OR ABROAD

16. OF WHAT COUNTRY ARE YOU A CITIZEN/SUBJECT?

17. ADDRESS WHILE IN THE UNITED STATES

18. PASSPORT NO. & COUNTRY

19. U.S. VISA DATE

20. PLACE UNITED STATES VISA WAS ISSUED

21. IMMIGRATION ALIEN NO. *(If any)*

22. CURRENCY OR MONETARY INSTRUMENTS
DATE SHIPPED
DATE RECEIVED

23. CURRENCY OR MONETARY INSTRUMENTS
☐ Shipped To
☐ Received From

NAME AND ADDRESS

24. IF THE CURRENCY OR MONETARY INSTRUMENT WAS MAILED, SHIPPED, OR TRANSPORTED COMPLETE BLOCKS A AND B.
A. Method of Shipment *(Auto, U.S. Mail, Public Carrier, etc.)*
B. Name of Transporter/Carrier

PART III - CURRENCY AND MONETARY INSTRUMENT INFORMATION (SEE INSTRUCTIONS ON REVERSE) (To be completed by everyone)

25. TYPE AND AMOUNT OF CURRENCY/MONETARY INSTRUMENTS		Value in U.S. Dollars
Coins	☐ A. ►	$
Currency	☐ B. ►	
Other instruments *(Specify Type)*	☐ C. ►	
(Add lines A, B and C)	TOTAL AMOUNT ►	$

26. IF OTHER THAN U.S. CURRENCY IS INVOLVED, PLEASE COMPLETE BLOCKS A AND B. *(SEE SPECIAL INSTRUCTIONS)*
A. Currency Name
B. Country

PART IV - GENERAL - TO BE COMPLETED BY ALL TRAVELERS, SHIPPERS AND RECIPIENTS

27. WERE YOU ACTING AS AN AGENT, ATTORNEY OR IN CAPACITY FOR ANYONE IN THIS CURRENCY OR MONETARY INSTRUMENT ACTIVITY? *(If "Yes" complete A, B and C)* ☐ Yes ☐ No

PERSON IN WHOSE BEHALF YOU ARE ACTING ►	A. Name	B. Address	C. Business activity occupation or profession

Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief it is true, correct and complete.

28. NAME AND TITLE

29. SIGNATURE

30. DATE

GPO 959-097

(Replaces IRS Form 4790 which is obsolete)

Customs Form 4790 (12-29-76)

General Instructions

This report is required by Treasury Department regulations (31 Code of Federal Regulations 103).

Who Must File. — Each person who physically transports, mails, or ships, or causes to be physically transported, mailed, shipped or received currency or other monetary instruments in an aggregate amount exceeding $5,000 on any one occasion from the United States to any place outside the United States, or into the United States from any place outside the United States.

A TRANSFER OF FUNDS THROUGH NORMAL BANKING PROCEDURES WHICH DOES NOT INVOLVE THE PHYSICAL TRANSPORTATION OF CURRENCY OR MONETARY INSTRUMENTS IS NOT REQUIRED TO BE REPORTED.

Exceptions. — The following persons are not required to file reports: (1) a Federal reserve bank, (2) a bank, a foreign bank, or a broker or dealer in securities in respect to currency or other monetary instruments mailed or shipped through the postal service or by common carrier, (3) a commercial bank or trust company organized under the laws of any State or of the United States with respect to overland shipments of currency or monetary instruments shipped to or received from an established customer maintaining a deposit relationship with the bank, in amounts which the bank may reasonably conclude do not exceed amounts commensurate with the customary conduct of the business, industry or profession of the customer concerned, (4) a person who is not a citizen or resident of the United States in respect to currency or other monetary instruments mailed or shipped from abroad to a bank or broker or dealer in securities through the postal service or by common carrier, (5) a common carrier of passengers in respect to currency or other monetary instruments in the possession of its passengers, (6) a common carrier of goods in respect to shipments of currency or monetary instruments not declared to be such by the shipper, (7) a travelers' check issuer or its agent in respect to the transportation of travelers' checks prior to their delivery to selling agents for eventual sale to the public, nor by (8) a person engaged as a business in the transportation of currency, monetary instruments and other commercial papers with respect to the transportation of currency or other monetary instruments overland between established offices of banks or brokers or dealers in securities and foreign persons.

When and Where to File:

A. Recipients. Each person who receives currency or other monetary instruments shall file Form 4790, within 30 days after receipt, with the Customs officer in charge at any port of entry or departure or by mail with the Commissioner of Customs, Attention: Currency Transportation Reports, Washington, D.C. 20229.

B. Shippers or Mailers. If the currency or other monetary instrument does not accompany the person entering or departing the United States, Form 4790 may be filed by mail on or before the date of entry, departure, mailing, or shipping with the Commissioner of Customs, Attention: Currency Transportation Reports, Washington, D.C. 20229.

C. Travelers. Travelers carrying currency or other monetary instruments with them shall file Form 4790 at the time of entry into the United States or the time of departure from the United States with the Customs officer in charge at any Customs port of entry or departure.

An additional report of a particular transporation, mailing, or shipping of currency or other monetary instruments, is not required if a complete and truthful report has already been filed. However, no person otherwise required to file a report shall be excused from liability for failure to do so if, in fact, a complete and truthful report has not been filed. Forms may be obtained from any United States Customs Service office.

PENALTIES. — Civil and criminal penalties, including under certain circumstances a fine of not more than $500,000 and imprisonment of not more than five years, are provided for failure to file a report, supply information, and for filing a false or fraudulent report. In addition, the currency or monetary instrument may be subject to seizure and forfeiture. See sections 103.47, 103.48 and 103.49 of the regulations.

Definitions

Bank. — Each agent, agency, branch or office within the United States of a foreign bank and each agency, branch or office within the United States of any person doing business in one or more of the capacities listed: (1) a commercial bank or trust company organized under the laws of any state or of the United States; (2) a private bank; (3) a savings and loan association or a building and loan association organized under the laws of any state or of the United States; (4) an insured institution as defined in section 401 of the National Housing Act; (5) a savings bank, industrial bank or other thrift institution; (6) a credit union organized under the laws of any state or of the United States; and (7) any other organization chartered under the banking laws of any state and subject to the supervision of the bank supervisory authorities of a state.

Foreign Bank. — A bank organized under foreign law, or an agency, branch or office located outside the United States of a bank. The term does not include an agent, agency, branch or office within the United States of a bank organized under foreign law.

Broker or Dealer in Securities. — A broker or dealer in securities, registered or required to be registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934.

IDENTIFYING NUMBER. — Individuals should enter their social security number, if any. However, aliens who do not have a social security number should enter passport or alien registration number. All others should enter their employer identification number.

Investment Security. — An instrument which: (1) is issued in bearer or registered form; (2) is of a type commonly dealt in upon securities exchanges or markets or commonly recognized in any area in which it is issued or dealt in as a medium for investment; (3) is either one of a class or series or by its terms is divisible into a class or series of instruments; and (4) evidences a share, participation or other interest in property or in an enterprise or evidences an obligation of the issuer.

Monetary Instruments. — Coin or currency of the United States or of any other country, travelers' checks, money orders, investment securities in bearer form or otherwise in such form that title thereto passes upon delivery, and negotiable instruments (except warehouse receipts or bills of lading) in bearer form or other in such form that title thereto passes upon delivery. The term includes bank checks, travelers' checks and money orders which are signed but on which the name of the payee has been omitted, but does not include bank checks, travelers' checks or money orders made payable to the order of a named person which have not been endorsed or which bear restrictive endorsements.

Person. — An individual, a corporation, a partnership, a trust or estate, a joint stock company, an association, a syndicate, joint venture, or other unincorporated organization or group, and all entities cognizable as legal personalities.

Special Instructions

You should complete each line which applies to you. **Part II.** — Line 22, Enter the exact date you shipped or received currency or the monetary instrument(s). Line 23, Check the applicable box and give the complete name and address of the shipper or recipient. **Part III.** — Line 26, If currency or monetary instruments of more than one country is involved, attach a schedule showing each kind, country, and amount.

PRIVACY ACT NOTIFICATION

Pursuant to the requirements of Public Law 93-579, (Privacy Act of 1974), notice is hereby given that the authority to collect information on Form 4790 in accordance with 5 U.S.C. 552a(e)(3) is Public Law 91-508; 31 U.S.C. 1101; 5 U.S.C. 301; Reorganization Plan No. 1 of 1950; Treasury Department No. 165, revised, as amended; 31 CFR 103.

The principal purpose for collecting the information is to assure maintenance of reports or records where such reports or records have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings. The information collected may be provided to those officers and employees of the Customs Service and any other constituent unit of the Department of the Treasury who have a need for the records in the performance of their duties. The records may be referred to any other department or agency of the Federal Government upon the request of the head of such department or agency.

Disclosure of this information is mandatory. Failure to provide all or any part of the requested information may subject the currency or monetary instruments to seizure and forfeiture, as well as subject the individual to civil and criminal liabilities.

Disclosure of the social security number is mandatory. The authority to collect this number is 31 CFR 103.25. The social security number will be used as a means to identify the individual who files the record.

PART 14

SOLDIERS' AND SAILORS' CIVIL RELIEF ACT
P.L. 76-861

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PART 14

SOLDIERS' AND SAILORS' CIVIL RELIEF ACT

A. WHAT IS THE SOLDIERS' AND SAILORS' CIVIL RELIEF ACT?

Since persons entering military service sometimes do so at greatly reduced income, they may be unable to meet the terms of obligations they made while in civilian life. The Soldiers' and Sailors' Civil Relief Act provides protection to the military personnel during the period of reduced income. The Act does not cancel obligations but merely gives to those in military service and financially unable to pay, protection against legal action to repossess collateral or *force* payment of an obligation.

The Soldiers' and Sailors' Civil Relief Act applies only to loans made prior to entering the service. Likewise, it does not prevent a credit union from accepting loan payments or from continuing loan collection efforts short of legal steps.

B. HOW DOES THIS ACT AFFECT CREDIT UNIONS?

The Act has the following application to the operation of a credit union:

1. It applies to anyone entering or already in the armed services of the United States.
2. It provides that if any court action is commenced against such a person, the court in its discretion may stay the action or any judgment, attachment, garnishment, or other order until his/her return from service or may impose such terms as, in its opinion, would be just. The most significant factor in determining whether the courts will grant relief in most cases is whether the borrower's ability to pay has been affected by his military service.
3. If the court gives such relief to a person in military service, it may also grant similar relief to the comakers and endorsers.
4. If a comaker wishes, he may waive the protection referred to in paragraph 3. Such a waiver must be in writing, signed and separate from the note. It becomes ineffective if the comaker himself enters into the service.
5. A person in military service may waive in writing the benefits of the Act relating to repossession, foreclosure, sale, forfeiture, etc., of any property given as security on a note, and may make a new contract to pay his indebtedness.
6. The maximum interest rate on any loan to a person in military service, made prior to his entry in service, is 6 percent per annum during the period in service unless a higher rate is authorized by the court.
7. The period of military service will be excluded in computing the period of limitations for bringing any court action or proceeding.

There are a number of technical exceptions to some of the generalizations. If any legal action against a borrower in military service is felt justified and necessary, the advice of local legal counsel should be obtained.

PART 15

FEDERAL CRIMINAL STATUTES WHICH APPLY TO CREDIT UNIONS

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PART 15

FEDERAL CRIMINAL STATUTES WHICH APPLY TO CREDIT UNIONS

The Federal criminal statutes discussed below are from Title 18 of the United States Code. They apply to credit unions as indicated and are being provided for your information. The officials should be aware of the content of these statutes.

A. §493. BONDS AND OBLIGATIONS OF CERTAIN LENDING AGENCIES

Whoever falsely makes, forges, counterfeits or alters any note, bond, debenture, coupon, obligation, *instrument*, or writing in imitation or purporting to be in imitation of, a note, bond, debenture, coupon, obligation, instrument or writing, *issued by* the Reconstruction Finance Corporation, Federal Deposit Insurance Corporation, National Credit Union Administration, Home Owners' Loan Corporation, Farm Credit Administration, Department of Housing and Urban Development, or *any* land bank, intermediate credit bank, *insured credit union*, bank for cooperatives or any lending, mortgage, insurance, credit or savings and loan corporation or association authorized or acting under the laws of the United States, *shall be fined not more than $10,000 or imprisoned not more than five years, or both.*

Whoever passes, utters, or publishes, or attempts to pass, utter or publish any note, bond, debenture, coupon, obligation, instrument or document knowing the same to have been falsely made, forged, counterfeited or altered, contrary to the provisions of this section, shall be fined not more than $10,000 or imprisoned not more than five years, or both.

B. §657. LENDING, CREDIT AND INSURANCE INSTITUTIONS

Whoever, being an officer, agent or employee of or connected in any capacity with the Reconstruction Finance Corporation, Federal Deposit Insurance Corporation, National Credit Union Administration, Home Owners' Loan Corporation, Farm Credit Administration, Department of Housing and Urban Development, Federal Crop Insurance Corporation, Farmers' Home Corporation, the Secretary of Agriculture acting through the Farmers' Home Administration, or any land bank, intermediate credit bank, bank for cooperatives or any lending, mortgage, insurance, credit or savings and loan corporation or association authorized or acting under the laws of the United States or *any institution the accounts of which are insured by the* Federal Savings and Loan Insurance Corporation or by the *Administrator of the National Credit Union Administration* or any small business investment company, and whoever, being a receiver of any such institution, or agent or employee of the receiver, embezzles, abstracts, purloins or willfully misapplies any moneys, funds, credits, securities, or other things of value belonging to such institution, and pledged or otherwise intrusted to its care, *shall be fined not more than $5,000 or imprisoned not more than five years, or both;* but if the amount or value embezzled, abstracted, purloined or misapplied does not exceed $100, he shall be fined not more than $1,000 or imprisoned not more than one year, or both.

C. §1006. FEDERAL CREDIT INSTITUTION ENTRIES, REPORTS AND TRANSACTIONS

Whoever, being an *officer, agent or employee of* or connected in any capacity with the Reconstruction Finance Corporation, Federal Deposit Insurance Corporation, National Credit Union Administration, Home Owners' Loan Corporation, Farm Credit Administration, Department of Housing and Urban Development, Federal Crop Insurance Corporation, Farmers' Home Corporation, the Secretary of Agriculture acting through the Farmers' Home Administration, or any land bank, intermediate credit bank, bank for cooperatives or any lending, mortgage, insurance, credit or savings and loan corporation or association authorized or acting under the laws of the United States or *any institution the accounts of which are insured* by the Federal

Savings and Loan Insurance Corporation, or *by the Administrator of the National Credit Union Administration,* or any small business investment company, *with intent to defraud any such institution of any other* company, body politic or corporate, or any *individual, or to deceive any officer, auditor, examiner or agent of any such institution or of department or agency of the United States, makes any false entry in any book, report or statement of or to any such institution, or without being duly authorized, draws any order or bill of exchange, makes any acceptance, or issues, puts forth or assigns any note, debenture, bond or other obligation, or draft, bill of exchange, mortgage, judgment, or decree, or, with intent to defraud the United States or any agency thereof, or any corporation, institution, or association referred to in this section, participates or shares in or receives directly or indirectly any money, profit, property, or benefits through any transaction, loan, commission, contract, or any other act of any such corporation, institution, or association, shall be fined not more than $10,000 or imprisoned not more than five years, or both.*

D. §1014. LOAN AND CREDIT APPLICATIONS GENERALLY; RENEWALS AND DISCOUNTS; CROP INSURANCE

Whoever knowingly makes any false statement or report, or willfully overvalues any land, property or security, for the purpose of influencing in any way the action of the Reconstruction Finance Corporation, Farm Credit Administration, Federal Crop Insurance Corporation, Farmers' Home Corporation, the Secretary of Agriculture acting through the Farmers' Home Administration, any Federal intermediate credit bank, or any division, officer, or employee thereof, or of any corporation organized under sections 1131-1134m of Title 12, or of any regional agricultural credit corporation established pursuant to law, or of the National Agricultural Credit Corporation, a Federal Home Loan Bank, the Federal Home Loan Bank Board, the Home Owners' Loan Corporation, a Federal Savings and Loan Association, a Federal land bank, a joint-stock land bank, a Federal land bank association, a Federal Reserve bank, a small business investment company, a *Federal credit union, an insured State-chartered credit union,* any institution the accounts of which are insured by the Federal Savings and Loan Insurance Corporation, any bank the deposits of which are insured by the Federal Deposit Insurance Corporation, any member of the Federal Home Loan Bank System, the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the Administrator of the National Credit Union Administration, *upon any application,* advance, discount, purchase, purchase agreement, repurchase agreement, commitment, *or loan, or any change or extension of any of the same,* by renewal, deferment of action or otherwise, or the acceptance, release, or substitution of security thereof, *shall be fined not more than $5,000 or imprisoned not more than two years, or both.*

E. §2113. BANK ROBBERY AND INCIDENTAL CRIMES

(a) *Whoever, by force and violence, or by intimidation, takes, or attempts to take, from the person or presence of another any property or money or any other thing of value belonging to, or in the care, custody, control, management, or possession of, any bank, or any savings and loan association; or*

Whoever enters or attempts to enter any bank, or any savings and loan association, or any building used in whole or in part as a bank, or as a savings and loan association, with intent to commit in such bank, or in such savings and loan association, or building, or part thereof, so used, any felony affecting such bank or such savings and loan association and in violation of any statute of the United States, or any larceny—

Shall be fined not more than $5,000 or imprisoned not more than twenty years, or both.

(b) *Whoever takes and carries away, with intent to steal or purloin, any property or money or any other thing of value exceeding $100 belonging to, or in the care, custody, control, management, or possession of any bank, or any savings and loan association, shall be fined not more than $5,000 or imprisoned not more than ten years, or both; or*

Whoever takes and carries away, with intent to steal or purloin, any property or money or any other thing of value not exceeding $100 belonging to, or in the care, custody, control, management, or possession of any bank, or any savings and loan association, shall be fined not more than $1,000 or imprisoned not more than one year, or both.

(c) *Whoever receives, possesses, conceals, stores, barters, sells, or disposes of, any property or money or other thing of value knowing the same to have been taken from a bank, or a savings and loan as-*

sociation, in violation of subsection (*b*) *of this section shall be subject to the punishment provided by said subsection* (*b*) *for the taker.*

(d) *Whoever, in committing, or in attempting to commit, any offense defined in subsections* (*a*) *and* (*b*) *of this section, assaults any person, or puts in jeopardy the life of any person by the use of a dangerous weapon or device, shall be fined not more than $10,000 or imprisoned not more than twenty-five years, or both.*

(e) *Whoever, in committing any offense defined in this section, or in avoiding or attempting to avoid apprehension for the commission of such offense, or in freeing himself or attempting to free himself from arrest or confinement for such offense, kills any person, or forces any person to accompany him without the consent of such person, shall be imprisoned not less than ten years, or punished by death if the verdict of the jury shall so direct.*

(f) As used in this section the term "bank" means any member bank of the Federal Reserve System, and any bank, banking association, trust company, savings bank, or other banking institution organized or operating under the laws of the United States, and any bank the deposits of which are insured by the Federal Deposit Insurance Corporation.

(g) As used in this section *the term "savings and loan association" means any* Federal savings and loan association and any "insured institution" as defined in section 401 of the National Housing Act, as amended, and any "*Federal credit union*" as defined in section 2 of the Federal Credit Union Act.

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